E. C. No. 467

ESTIMATES COMMITTEE (1965-66)

HUNDRED AND SIXTH REPORT

(THIRD LOK SABHA)

MINISTRY OF INDUSTRY

(ORGANISATION OF THE DEVELOPMENT COMMISSIONER, SMALL SCALE INDUSTRIES)

PART II

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Page 10, line 6, for 'construction for' read 'construction or'.
Page 10, line 5 from bottom, for 'newly States' read 'newly established estates'.
Page 16, line 3, for 'transports' read 'transport'.
Page 28, line 5 from bottom, for 'has discussions' read 'had discussions'.
Page 34, line 1, for 'Association' read 'Associations'.
Page 50, line 12, for 'oberheads' read 'overheads'.
Page 52, line 17, delete 'a'.
Page 57, Para 44, line 8, for 'visit' read 'visits'.
Page 57, col. 5 of the table, against 1963-64, for the existing figure read '52465'.

VI. Enquiries received by the C.S.I.R. from Small Industries Service Institutes and Industrial Units, etc. . . . . 95—101

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ESTIMATES COMMITTEE

(1965-66)

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INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Hundred and Sixth Report on the Ministry of Industry—Organisation of the Development Commissioner, Small Scale Industries—Part II.

2. The Committee took evidence of the representatives of the Ministry of Industry on the 2nd, 4th, 5th and 6th November, 1965. The Committee wish to express their thanks to the Secretary of the Ministry of Industry, the Development Commissioner, Small Scale Industries, and other officers of the Ministry for placing before them the material and information they wanted in connection with the examination of the estimates.

3. The Committee wish to extend their thanks to Dr. P. S. Lokanathan, Director-General, National Council of Applied Economic Research, and the representatives of the Federation of Association of Small Industries of India, New Delhi; Small Scale Non-ferrous Industries Association, Calcutta; Federation of Small and Medium Industries, Calcutta; and All Mysore Small Scale Industries Association, Bangalore, for giving evidence and making valuable suggestions to the Committee.

4. The Report was considered and adopted by the Committee on the 15th April, 1966.

5. A statement showing the analysis of recommendations contained in the Report is also appended to the Report (Appendix VIII).

NEW DELHI-1;
April 21, 1966
Vaisakha 1, 1888 (*Saka*).

ARUN CHANDRA GUHA,
Chairman,
Estimates Committee.

I. INDUSTRIAL ESTATES

A. General

(I) Genesis and objectives of the Industrial Estates Programme

The programme of industrial estates was taken up towards the end of the First Five Year Plan period. It has been stated that the principal objective of the programme "is to enable a number of small scale units to have the advantage of common services and other facilities, such as, a good site, electricity, water, gas, steam, compressed air, railway sidings, watch and ward, etc." It is expected, moreover, that "being located near one another, some units may be better able to use the goods and services of one another so that they become inter-dependent and complementary to one another."

(II) Classification of Industrial Estates

2. Industrial estates are classified broadly into three categories viz:

(a) Urban estates *i.e.* those in cities and large towns or in the vicinity thereof;

(b) Semi-urban estates *i.e.* those in areas comprising small towns located at a reasonable distance from large cities and having a population between five thousand and fifty thousand; and

(c) Rural estates* and worksheds *i.e.* those in villages with a population of less than five thousand and situated at a sufficient distance from large cities and towns.

Developed Sites.

3. Besides the above three categories, the Third Plan envisaged that "at appropriate places, particularly near large cities and towns only developed sites should be provided on which small entrepreneurs could erect their own factory buildings, instead of establishing an industrial estate complete with factory premises."

The Committee have been informed that in May, 1962, the State Governments were advised to provide only developed plots in the

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*Rural industrial estates have been dealt with separately in the Committee's Report on Rural Industrialisation. See 107th Report (Third Lok Sabha).

urban areas and leave the construction of factory sheds to entrepreneurs. In less developed areas, however, it may be necessary for the Government to provide built in factory accommodation.

B. Plan Provisions and Targets

(I) First and Second Five Year Plans

4. During the First Five Year Plan, ten industrial estates were sanctioned towards the end of the Plan period and an allocation of Rs. 58 lakhs was made for the purpose.

In the Second Plan, an amount of Rs. 11·12 crores was allotted for this programme, against which an amount of Rs. 10·98 crores was actually spent during the Plan period by various State Governments and Union Territories. 110 industrial estates including one industrial area were sanctioned during the Plan period.

Against 120 industrial estates sanctioned during the First and the Second Five Year Plan periods, 66 estates were completed and 52 were actually functioning* at the end of the Second Plan period.

(II) Third Five Year Plan

5. The Third Plan Working Group on Small Scale Industries had recommended a target of 505 industrial estates of different sizes at a cost of approximately Rs. 50 crores. In accordance with this recommendation the State Governments had proposed targets for a total of 504 industrial estates. However, the Third Five Year Plan itself proposed the setting up of "300 more new industrial estates of varying sizes and types", during the Plan period, and made a provision of Rs. 30·20 crores in this behalf. This outlay was subsequently revised to Rs. 28·24 crores. It has been stated by the Ministry that the revised target of 300 industrial estates, incorporated in the Third Plan, "was not allotted between the States, nor were revised targets received from the State Governments. We may, however, assume proportionate reduction in the target figures given."

6. State-wise break-up of the original and revised Plan outlay and the actual/anticipated expenditure (State-wise and year-wise) on industrial estates during the Third Plan period are given in Tables 1 and 2 of Appendix I.

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*An industrial estates is deemed to start functioning (go into production) when the production starts in at least one of the factory sheds of the estate.

7. The revised Third Plan outlay for industrial estates in each State and the State-wise actual/anticipated expenditure on this programme during the Third Plan period, are as under:

(Rs. in lakhs)

Name of the State	Outlay for Third Plan	Actual/ Anticipated Expenditure 1961—66	Shortfall/ Excess
Andhra Pradesh	220·00	216·68	—3·22
Assam	65·00	54·18	—10·82
Bihar	204·74	123·12	—81·61
Gujarat	100·00	62·23	—37·77
Jammu & Kashmir	100·24	64·27	—35·97
Kerala	125·00	129·50	+4·50
Maharashtra	220·00	171·38	—48·62
Mysore	120·00	75·30	—44·70
Madras	320·00	557·97	+237·97
Madhya Pradesh	220·33	171·52	—28·81
Orissa	135·22	127·95	—7·27
Punjab	245·00	212·91	—32·09
Rajasthan	157·00	64·68	—92·32
Uttar Pradesh	375·00	310·12	—64·88
West Bengal	162·32	80·06	—82·26
TOTAL	2749·85	2421·88	
Union Territories			
Delhi	62·36	3·75	+11·39
Himachal Pradesh	100·0	6·13	+6·13
Manipur	N.A.	4·50	
Pondicherry	13·50	..	—13·50
Tripura	7·00	5·11	—1·89
TOTAL	92·86	99·49	
GRAND TOTAL	2824·71	2521·37	

8. Up-to-date data regarding Central assistance to the States for the implementation of the industrial estates programme is not available. Even at end of March, 1966, the Ministry could furnish only

provisional figures for the year 1964-65. The following statement, furnished by the Ministry, shows the amount advanced as loan by the Central Government to the State Governments for establishing industrial estates during each of the first four years of the Third Plan:

(Rs. in lakhs)

State	1961-62	1962-63	1963-64	1964-65
	Final	Final	Final	Provisional
Andhra Pradesh	29·68	15·37	17·22	25·11
Assam	0·98	1·04	3·27	4·52
Bihar	3·94	5·86	1·83	7·67
Gujarat	7·90	2·85	2·03	3·93
Jammu & Kashmir	13·60	9·20	11·40	9·20
Kerala	3·44	5·23	8·74	13·87
Madhya Pradesh	11·46	12·93	18·97	18·97
Madras	12·99	46·52	68·87	54·42
Maharashtra	2·52	17·47	7·39	14·12
Mysore	4·52	4·06	5·90	4·32
Orissa	10·39	8·78	14·01	19·14
Punjab	12·02	15·74	19·47	17·81
Rajasthan	17·14	11·89	4·71	1·85
Uttar Pradesh	7·38	28·36	50·54	44·98
West Bengal	21·63	9·20	2·01	4·45
	159·59	195·50	226·36	244·36

The Ministry have also stated in this connection that "Generally speaking, in all the States the entire plan outlay on industrial estates is covered by Central assistance in the form of loans."

9. The Committee have been informed that upto the 31st March, 1965, 235 industrial estates in all have been completed since the inception of the industrial estates programme. Of these, 154 have already been functioning while 81 are in pre-production stages.

The State-wise break-up of industrial estates of all types (including rural and co-operative industrial estates) as against the targets originally proposed by the respective States, is indicated below:

State	Upto end of II Plan	Target for III Plan as originally proposed*	Actually set up by			
			End of Dec. 1962	End of Dec. 1963	End of March 1964	End of March 1965
Andhra Pradesh	4	40	6	11	11	13
Assam	2	24	2	2	2	2
Bihar	4	14	4	4	4	4
Gujarat	4	21	6	7	7	8
Jammu & Kashmir	2	26	2	4	13	15
Kerala	5	2	8	8	8	8
Madhya Pradesh	3	31	3	7	7	10
Maharashtra	5	46	9	10	13	20
Madras	7	16	9	9	9	16
Mysore	3	29	6	9	9	9
Orissa	2	52	4	5	5	5
Punjab	1	100	4	6	7	12
Rajasthan	3	26	6	9	9	10
Uttar Pradesh	3	51	5	8	8	13
West Bengal	2	11	3	3	3	**3
Delhi	1	5	1	1	1	2
Himachal Pradesh	..	5	1	1	1	1
Tripura	1	2	1	2	2	2
Pondicherry	..	2	..	1	1	1
Manipur	..	1	..	...	...	...
	52	504*	80	107	120	154

*As noted in para 5 at the time of the drafting of the Third Plan, the State Governments had, in accordance with the recommendations of the Third Plan Working Group on Small Scale Industries originally proposed a target of 504 industrial estates. The Third Plan itself proposed a targe of 300 industrial estates. However, the State-wise targets were not revised, though it is assumed that there was a proportionate reduction.

**The Rehabilitation Industries Corporation has also established two industrial estates in West Bengal—one at Behala and the other at B.T. Road.

trial estates, the number of estates established and actually functioning during the four years of the Third Plan, as on the 31st March, 1965 is only 102. It is further noted that the total expenditure on the industrial estates programme during the Third Plan period will be only Rs. 25.21 crores as against the revised outlay of Rs. 28.24 crores.

It has been stated and emphasised by the Ministry that this shortfall is "due to curtailment of the programme in the wake of the Chinese aggression." Further, in reply to a question about the programme for industrial estates for the year 1966-67, the Ministry have observed:

> "In view of the present urgent need for economy in all spheres of Government activity the State Governments are being advised to go slow with the industrial estate programme, not to take up new industrial estates and to suspend construction to the extent possible."

10. State-wise details of the expenditure on the industrial estates programme for the year 1966-67, as approved by the Working Group (Ministry of Industry), are as below:

		(Rs. in lakhs)
1.	Andhra Pradesh	15.00
2.	Assam	9.00
3.	Bihar	—
4.	Delhi	5.00
5.	Gujarat	15.00
6.	Jammu & Kashmir	—
7.	Himachal Pradesh	3.00
8.	Kerala	20.00
9.	Maharashtra	29.00
10.	Madhya Pradesh	10.00
11.	Madras	70.00
12.	Mysore	18.00
13.	Orissa	13.56
14.	Pondicherry	—
15.	Punjab	17.52
16.	Rajasthan	7.00
17.	Tripura	—
18.	Uttar Pradesh	21.00
19.	West Bengal	12.20
		265.28

The Committee note that the actual expenditure on industrial estates is likely to fall short of the Third Plan targets in all States and Union Territories except Kerala, Madras, Delhi and Himachal Pradesh. The shortfall is most marked in the case of Bihar, Gujarat, Mysore, Rajasthan and West Bengal. In the case of Madras, the actual expenditure exceeds the Plan target by 237.97 lakhs or 74.37 per cent. The progress achieved in terms of number of estates set up also varies widely from State to State. In most of the States the achievement falls much below the target. Thus, against the original target of 24 estates for Assam, 51 for Uttar Pradesh and 11 for West Bengal, the estates actually set up in these States by the end of March, 1965 number, respectively, 2, 13 and 3.

The Committee also note the Ministry's statement that the shortfalls are due to the 'curtailment of the programme in the wake of the Chinese aggression'.

The Committee could understand a general scaling down of the industrial estates programme as a measure of economy dictated by the needs of the emergency. Even in such a case, Government should have given some thought to a State like Assam with high production potentialities, to a State like West Bengal which besides having high production facilities is a large consumption centre and is faced with acute unemployment, and also to Uttar Pradesh—eastern Uttar Pradesh being generally backward. The Committee are, however, distressed to note that, in practice, while drastic cuts have been made in the industrial estates programmes in many of the States, in one State the expenditure on this head exceeds the Plan target by as much as 74 per cent.

The Committee regret to note that positive measures were not taken by Government to ensure a broad uniformity in the implementation of the industrial estates programme in the various States.

From the data available regarding (a) loans advanced by the Central Government to the States during the Third Plan period for establishing industrial estates, and (b) expenditure approved for industrial estates for the year 1966-67, the Committee are also constrained to observe that the disparities among the States in this particular sphere are largely attributable to the variations in the quantum of Central assistance made available to the States.

The Committee strongly urge that immediate measures should be taken to rectify the great disparities among the States in the development of industrial estates and to ensure that progress, in this sphere, in future, is, as far as possible, evenly spread throughout the country. As an essential step in this direction, the Committee would like the Government to determine the allocation of Central loans to the different States for the industrial estates programme, during the Fourth Plan period, strictly with a view to accelerate the pace of development in those States where the programme has lagged behind so far and where unemployment problem is acute. To afford immediate relief to such States, within the limits of the funds available, Government should also suitably revise the State-wise allocations for the programme for the year 1966-67.

Physical Achievements

11. The physical progress of the industrial estates programmes has been described in a note furnished by the Ministry as follows:

As on 31-3-1965

1. Total number of industrial estates:	
(i) Functioning	154
(ii) Completed but not functioning	81
(iii) Under construction/preliminary stage	193
2. Number of sheds constructed in all States	5188
3. Number of sheds allotted	4392
4. Number of sheds occupied for production purpose	3794
5. Number of units functioning	2586
6. Number of units which reported production	1747
7. Half-yearly production of reporting units	Rs. 20·51 crores
8. Employment in reporting units.	46581

The Committee would like the above achievements to be considered in the context of the expenditure incurred on the industrial estates programme since its inception. This expenditure is broadly as under:

	(Rs. in lakhs)
First Five Year Plan	**58.00**
Second Five Year Plan	**1098.00**
Third Five Year Plan (upto March, 1965)	**1963.00**
	3119.00
	or Rs. 31.19 crores)

Considering that with an expenditure of over Rs. 31 crores on the industrial estates programme during the three Plan periods all that has been possible to achieve is the construction of 5188 sheds of which only 2586 are occupied by functioning units, the Committee feel that the costs of the programme are rather too high. It is evident that any attempt to bring an appreciable proportion of the existing or prospective small scale units in the country within the purview of the programme, as presently conceived, will involve heavy expenditure which would be difficult for the country to afford. The Committee consider that there is considerable scope for economy particularly in the construction of industrial estates.

The Committee, therefore, urge that the industrial estates programme should henceforth be pursued primarily for demonstrating the utility of the idea rather than as a means of actually providing Government built and subsidised accommodation to small scale units. The Committee feel that in States where sizeable amounts have already been spent under the industrial estates programme, it would be permissible to presume that the usefulness of the industrial estate idea has been sufficiently demonstrated and further progress in this sphere can be left to associations of entrepreneurs, cooperative societies etc. In such States, no new industrial estates, consisting of built in sheds, should be established by Government and governmental assistance should cease with the completion of the sheds already under construction. As for the other States, targets for establishing industrial estates, with built in sheds, during the Fourth Plan period should be laid down. The number of these estates need not be large but there should be a firm time schedule for their completion.

However, Government assistance may continue to be available in all States for providing developed sites, encouraging cooperative societies to set up industrial estates, providing roads and utilities etc.

The Committee are perturbed to note the following disquieting features revealed by the table given in para 11 above:

(1) 81 industrial estates though completed have not started functioning, that is, they do not have a single unit that has actually gone into production.

(2) 796 completed sheds remain to be allotted.

(3) The number of functioning units is less than half of the number of sheds completed.

(4) 839 units though stated to be occupied have not reported production.

The Committee need hardly stress that the time in the completion and functioning of an industrial estate should be reduced to the minimum. Similarly, it is imperative that the sheds built and the other facilities provided in the industrial estates at considerable costs are promptly and fully utilised. It may be advantageous to allot sheds in advance of their construction for during the course of construction so that these are occupied as soon as they are completed. This may also ensure construction according to specifications needed for the industry. The Committee are also unable to appreciate why 839 units which though stated to be functioning failed to report their production to the authorities even though they are located in the industrial estate.

The Committee are constrained to observe that C.S.I.O. has failed so far to take due notice of these lapses and hope that it would now investigate the reasons for these shortcomings and take remedial measures.

C. Progress of different types of Industrial Estates

(I) Comparative progress of Urban, Semi-urban and Rural Industrial Estates

12. A statement showing the comparative progress of the three main categories of industrial estates—Urban, Semi-urban and Rural, as at the end of 1963, is included in Appendix II. The following conclusions emerge from this analysis:

(1) Functioning estates as a percentage of completed estates is highest in urban estates and lowest in rural estates.

(2) Sheds allotted as a percentage to sheds completed is lowest in rural estates. In fact, during this period, the position in rural estates was getting worse. Of the 171 completed sheds, in all rural estates on 31st December, 1962, 139 were allotted; the corresponding figures for 31st December, 1963 were 268 and 175.

(3) Estates completed in urban areas are starting to function quickly. The rate is much slower in semi-urban and rural estates. For instance, during 1963 as against 10 newly constructed estates in urban areas 11 actually started functioning; in semi-urban areas 6 started functioning as 15 completed while only 2 newly states started functioning in rural areas as against 11 completed during the year.

(4) Considering again the figures for the year 1963 for which full data is available 220 additional sheds were completed in urban estates while actually 348 started functioning.

The corresponding figures in semi-urban estates were 154 newly constructed as against 44 starting functioning. In the case of rural estates in the same year only 28 new sheds began functioning while as many as 97 were newly constructed. Again, as against 171 completed sheds in rural estates on 31st December, 1963 the sheds actually functioning one year later were only 115.

The Committee regret to note the very poor progress of the rural industrial estates. They have dealt with this subject in detail in their Report on Rural Industrialisation.

(II) Developed Sites

13. It has been noted earlier that in May, 1962, the State Governments were advised to provide only developed sites in the urban industrial estates and leave the construction of factory sheds to the entrepreneurs. The Committee have been informed in the course of evidence that "During the Third Plan, the system of developed sites was not very much put into force.... Even in the Fourth Plan we have said that it will apply only to metropolitan towns because there is the demand and consciousness."

Tables showing the progress of the scheme for developed sites are included in Appendix III. It is seen that the scheme has been introduced in only 4 States—Punjab, Bihar, Uttar Pradesh and Madhya Pradesh. The number of plots proposed to be developed, allotted and actually occupied in each of these States is indicated below:

	No. of Plots proposed to be developed	No. of Plots allotted	No. of Plots occupied
Punjab .	53	5	2
Bihar .	690	44	1
Uttar Pradesh	648	38	..
Madya Pradesh	89	..	..
TOTAL .	1480	87	3

The Committee regret to note that although the Third Five Year Plan had clearly provided that "at appropriate places, particularly near large cities and towns, only developed sites should be provided on which small scale entrepreneurs could erect their own factory buildings", no serious action has been taken to implement the idea

with the result that at the end of the Third Plan period, only 3 developed plots, in this vast country, have been actually occupied by small scale entrepreneurs. Moreover, considering the poor response of the entrepreneurs to the scheme, the Committee are inclined to feel that due care has not been taken in selecting the areas where developed plots are offered for allotment to small scale units.

The Committee feel that the scheme of developed sites needs to be vigorously pursued particularly in States where small scale industry is fairly well developed or where the usefulness of industrial estates has already been demonstrated, so as to provide an alternative to the present programme of constructing industrial estates, with built in factory sheds, which, as pointed out in para 11 is too expensive to be tried on a large scale. The Committee suggest that the Central Small Industries Organisation should immediately address itself to the task of streamlining and energising the scheme of developed estates.

(III) Cooperative Estates

14. It has been stated that Cooperative Industrial Estates Societies have been formed in the States of Gujarat, Maharashtra, Madhya Pradesh, Madras and Uttar Pradesh. The number of such estates proposed to be established in each of these States is:

Gujarat	16
Maharashtra	41
Madhya Pradesh	4
Madras	4
Uttar Pradesh	13

In Maharashtra 12 Industrial Estates are functioning, 3 are completed but have not started functioning and 16 are under various stages of construction. In Gujarat 3 industrial estates are functioning and 2 are under construction. No progress in this regard has been reported in the other States.

It has been stated that in the Co-operative Societies land is acquired by the State Government and construction of sheds etc. is done by the Societies. However, in Madras the Co-operative Societies have entrusted the construction work to Government agency as the latter have better facilities for controlled building materials etc. Actual costs of construction are not available. It has been stated, however, that from the estimated costs provided in the schemes submitted, there is no difference between the Government estates and

Co-operative Society estates. The layout plans and estimates are gone through at the State level and forwarded to the Central Small Industries Organisation for technical approval.

15. Commenting on the progress of co-operative industrial estates, the Fourth Plan Working Group on Small Scale Industries has observed:

> "The co-operative industrial estate idea seems to have caught the imagination of the entrepreneurs in Maharashtra State. It was found that even in a backward region like Marathwada, six co-operative industrial estates are being established during the III Five Year Plan. The response from local entrepreneurs was very encouraging and we understand that in places like Jalna and Aurangabad, industrial estates with as many as 50 sheds are coming up, with many more entrepreneurs on the waiting list."

> "We suggest that urban estates may be established on the co-operative pattern unless special circumstances exist at a particular place for a government industrial estate of the traditional type. We feel that in these areas, necessary local entrepreneurial talent and capital can be induced to come forward to form an industrial estate co-operative society if promotional effort is made by the State Government. The experience of Maharashtra State strengthens our conviction in this regard."

The Committee agree with the Working Group's view that in urban areas necessary local entrepreneurial talent and capital can be induced to come forward to establish industrial estates on the cooperative pattern, provided the requisite promotional effort is made by the State Government. The Committee would like the Central Government to impress the need for encouraging the establishment of Co-operative industrial estates in the various States, particularly those where Small Scale Industry is already fairly advanced and there are a number of well established industrial estates.

D. Location of Industrial Estates

16. The International Perspective Planning Team had held that one of the major factors accounting for the poor output and employment performance of many industrial estates was wrong location. To overcome this defect, the Team recommended:

(1) the CSIO reviews construction plans, but only from the civil engineering standpoint. Experience shows, however, that failures are less likely to arise because of faulty

physical planning or construction defects than because of such factors as poor location, inadequate demand for factory space, failure to provide for workers' housing, and so on. We therefore suggest that the CSIO should give pre-planning advice and assistance on all aspects of industrial estate planning which experience shows to be important and that CSIO approval of schemes should be based on economic and developmental factors as well as on soundness of construction plans.

(2) it is recommended that all further proposals for industrial estates or workshops to be financed by public funds should be reviewed for economic viability by the CSIO before plans are approved. Analyses should include such considerations as real or effective demand for space in the location; proximity to markets, transport, skilled workers, housing and other worker amenities, construction costs in relation to existing rental levels in the location; availability of equipment and raw material supplies for prospective tenants; and adequacy of power and other utilities.

It has been admitted during evidence that there have been "quite a few cases of wrong location" of industrial estates. Explaining the position, the representative of the Ministry has stated during evidence:

"The Industrial Estates Programme was first conceived as the solution for all practical problems of small industries development and dispersal. So, there was enormous enthusiasm in the beginnning of the Third Plan for the construction of Industrial Estates. Every district wanted to have an industrial estate. At that time we did not have full experience of the precautions that would have to be taken before these industrial estates were set up. As a matter of fact, if I may say so, it became a matter of political prestige for every district and they thought that unless it had an industrial estate, the district was not considered to have come of age.

So, a number of industrial estates were constructed without regard to the basic requirements, particularly, before making sure that entrepreneurs will come and take sheds. There were other difficulties like power etc."

In a note furnished by the Ministry the 'main functions' of the CSIO have been defined to include, *inter alia,* "Approval of State sponsored industrial estates." However, in the course of evidence the representative of the Ministry has maintained that the CSIO

only examines the layout of the industrial estates and has no say about location. He has observed:

> "The present position is that CSIO does not approve each individual programme of industrial estates. The industrial estate programme is wholly the responsibility of the State Governments. We have informed the State Governments that they must establish small committees—Technical Committees—who will scrutinise the basic conditions to be satisfied before a particular place is selected for setting up an industrial estate. They will send out their layout plans and costs to the CSIO who then looks into them. But the CSIO does not have any say in the location of the estate which is entirely for the State Government to decide."

The representative of the Ministry further stated that before the location of a estate is finalised, a "short of survey" is conducted by the Technical Committee at the State level. However, the report of this committee is not sent to the CSIO. The Sate Government simply inform the CSIO "We propose to locate an industrial estate here. We have made the selection on the basis of a study of the problems and this is the layout." In a note supplied by the Ministry, the position has been further elaborated as follows:

> "When proposals are received from States they are asked to see whether adequate number of entrepreneurs would be coming forward in those areas and there is a likelihood of the estate being occupied when completed. The CSIO gives only a technical approval for the industrial estates in so far as the layout of the estate, norms for construction etc. are concerned. The decision to establish an industrial estate at a particular place is to be taken by the State Government and as already mentioned, the CSIO can only bring to their notice the need to consider the economic viability of the whole scheme. The proposals for new industrial estates are now generally put up by the State Governments to a State Level Advisory Committee and then forwarded to the CSIO for final technical approval."

The Committee need hardly stress that an industrial estate scheme is not a mere civil engineering scheme, as its success depends upon important economic factors which have also to be carefullly taken into account at the stage of its planning. It is evident that approval of industrial estate, if it is to be really useful and effective, has to be

on the basis of a techno-economic scrutiny with particular reference to the suitability of the proposed location from the points of view of effective demand for space, proximity to markets, transports, availability of raw materials, power, skilled workers etc.

The Committee regret to note that some of the industrial estates have come to be established in wrong places because of the States being guided by non-economic considerations. The Committee feel that to avoid such wrong selection of site and the consequent infructuous expenditure, there should be proper coordination in this matter between the Centre and the States. They are of the view that the selection of the site should not be left exclusively to the States, particularly when the funds for the industrial estates are provided by the Centre.

The Committee consider it necessary that the C.S.I.O. should exercise stricter control and scrutiny on proposals for the setting up of industrial estates. They suggest that in the first instance, the State Directorate of Industries should conduct a techno-economic survey of the area where an industrial estate is proposed to be set up. The results of this survey should then be scrutinised carefully by the Advisory Committee attached to the Small Industries Service Institute which consists of the Director of Industries of the State concerned, the Director of the Institute and two non-official representatives. The Advisory Committee should then report their findings and conclusion to the Development Commissioner, Small Scale Industries, who may render the necessary suggestions and advice to the State concerned to facilitate final decision regarding the location and lay-out of the estates.

The Committee realize that this procedure may entail some delay in the finalisation of proposals for industrial estates. They feel, however, that a little delay in the selection of a location in the beginning is a small price compared to the wastage of public funds and private resources resulting from the wrong location of an industrial estate.

II. ANCILLARIES

A. General

(I) Introduction

17. An important feature of modern small scale industry development is the complementary nature of its relationship with the large scale industrial sector. It has been the experience all over the World that the growth of the large scale sector itself stimulates the growth of the small scale sector as a matter of "secondary" growth. By planning the development of this secondary growth suitably, it is possible to accelerate the development of modern small industries in a manner beneficial to the economy as a whole. It has been stated that significant gains can accrue to the small scale units by working as ancillaries or sub-contracting units to large scale units. Commenting on the development of ancillary industries in the U.S.A., West Germany, Sweden and Japan, the Indian Productivity Team, which visited these countries in 1959-60, has observed:

> "The system of sub-contracting is a very common feature of the large industries in all the countries we visited. No large scale unit produces under its own roof each and every part or component required by it. A substantial portion of their products is composed of parts, components and assemblies manufactured by other firms, who specialise in manufacture of particular items and cater to the requirements of a number of large and small units. This system of inter-dependence among different firms has generated the growth of a number of ancillary feeder industries to large industrial concerns, and the consequent specialisation has contributed to an increase in industrial productivity apart from increasing the production efficiency of workers and reduction in manufacturing costs."

(II) Definition of Ancillary Unit and Government Assistance to Ancillary Units

18. For purposes of assistance under the various Governmental programmes in India, an 'ancillary unit' has been defined as under:—

> "A unit having a capital investment not exceeding 10 lakhs which produces parts, components, sub-assemblies and tooling for supply against known or anticipated demand, of one or more large units manufacturing/assembling complete products and which is not a subsidiary to or controlled by any large units in regard to the negotiations of contracts for supply of its goods to any large unit. This shall not, however, preclude an ancillary unit from entering into an agreement with a large unit giving it the first option to take the former's output."

It has been stated that units which are set up primarily for replacement market also fall within the scope of the above definition and that manufacture of Tools, Dies, Jigs and Fixtures is also recognised as ancillary industry.

19. At present the following industries are recognised for purposes of development of ancillaries:—

1. Industrial Machinery.
2. Agricultural and earth moving machinery.
3. Machine tools.
4. Industrial, scientific and mathematical instruments (Mechanical).
5. Locomotives and rolling stocks, ships and aircraft.
6. Bicycles.
7. Boilers and steam generating plants.
8. Steam engines, turbines and internal combustion engines.
9. Automobiles.
10. Commercial office and household equipment.
11. Electrical machinery, equipment and appliances.*
12. Telecommunication equipment.
13. Industrial Instruments (electricals).
14. Radios and electronics equipment.
15. Air-conditioners and cold storage equipment including refrigerators.
16. Mineral oil and petroleum products.**

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*In regard to item No. 11, it has been stated by the Ministry at the factual verification stage that the emphasis is mainly on electrical machinery rather than on appliances, which would cover also those of the consumer type, the scope for the development of which is somewhat limited at present.

**In respect of item No. 16, the Ministry have stated at the time of factual verification that only such small scale units which serve as ancillaries to large scale unit engaged in the manufacture of the equipment for the marketing of the refined petroleum products are to be encouraged.

20. The facilities admissible to the small scale ancillary units having a capital investment over Rs. 5 lakhs but up to Rs. 10 lakhs are:—

(a) Technical assistance by the Small Industries Service Institutes;

(b) Supply of machinery under the hire purchase scheme of the National Small Industries Corporation.

(c) Allotment of factories in industrial estates.

21. In addition to above, the following facilities are available to the small scale ancillary units having a capital investment up to Rs. 5 lakhs only, like any other small scale unit:

(a) Enlistment under Central Government Purchase Programme; exemption from payment of security deposit; 15 per cent price preference over large undertakings for tenders invited by the Director General of Supplies and Disposals.

(b) Eligibility for allotment of steel, import quota etc. from small scale industries quota of the State.

(c) Credit facilities from the State Bank of India and other sources.

(III) ORGANISATIONAL SET UP FOR DEVELOPMENT OF ANCILLARIES

The Committee are informed that in 1956 the work of development of small scale units as ancillaries to large scale units was entrusted to the National Small Industries Corporation where it was looked after by the Government Purchase Division.

In April, 1960, the Small Scale Industries Board constituted a Standing Committee on Ancillaries to "examine in detail the position of ancillary industries in the country's economy and the question of their accelerated promotion and development in the small scale sector generally and in the relatively under-developed States and suggest steps to be taken in this regard." The present composition of the Standing Committee on Ancillaries is given in Appendix IV.

22. The Committee have been informed that Regional Committees of the Standing Committee of Ancillaries have been set up in eight States to assist the main Committee in recommending measures for development of ancillaries and draw up lists of components/parts

which can be manufactured in the small scale sector for large scale industries located in their respective States. These eight States are:—

1. West Bengal.
2. Maharashtra.
3. Madras.
4. Mysore.
5. Delhi.
6. Bihar.
7. Gujarat.
8. Madhya Pradesh.

Besides the above, State level Ancillary Committees have been set up by State Governments themselves in:—

Assam,
Orissa, and
Uttar Pradesh.

It has been stated that attempts are being made to establish Regional Committees in other States also.

In December, 1960, the work in regard to the development of ancillaries was transferred from the National Small Industries Corporation to the Central Small Industries Organisation where an Ancillaries Division, with a Director-in-charge, was created with the specific object of fostering the growth of ancillaries.

In the Small Industries Service Institutes, an officer of the rank of an Assistant Director is generally assigned the duties for the development of ancillaries.

It has been stated by the Ministry that the Central Small Industries Organisation keeps in touch with large scale units which are likely to benefit from the services of ancillary units. Their requirements are collected and circulated to small scale units through Small Industries Service Institutes so that suitable and competent units might be located for the supply of the required components. The Officers of the Ancillary Division also regularly visit such large scale units.

In reply to a question about the representation of small scale industries on the Standing Committee on Ancillaries, the Ministry have stated:

> "Shri A. R. Bhatt, President, Federation of Associations of Small Scale Industries of India has been taken on the

Ancillary Industries Committee to represent the small scale units. A few more representatives from the small scale sector will be added to the committee when it is reconstituted in the near future."

The Committee welcome the proposal to bring into the Standing Committee on Ancillaries some more representatives of Small Scale Industries and urge that the proposal should be given effect to at an early date. They hope that with the induction of men of practical experience of small industry, the Standing Committee will be better equipped to formulate effective policies for the development of ancillary industries in the country. They would like to suggest, however, that in implementing the proposal for providing representation to the small scale industries on the Standing Committee on Ancillaries, a system of rotation should be followed so that various small industries of the different regions are able to place their problems before the committee and help it to devise suitable measures for the uniform development of ancillaries in the country.

The Committee also note that the Standing Committee on Ancillaries has met only seven times since September 1961 and that it has formally issued only one report so far. It is evident that if the Standing Committee is to play a useful and effective role it must meet regularly to take stock of the position, to suggest appropriate measures, and to see that the policies formulated by it are translated into practice. The Committee suggest that the Standing Committee on Ancillaries should draw up their recommendations in the form of Reports and that each Report should contain a statement showing the action taken on the previous reports. The position with regard to the development of ancillaries should also be reviewed by the Small Scale Industries Board at least once a year.

The Committee also suggest that efforts should be made to expedite the setting up of State level Committees for Ancillaries in all those States where such committees have not been established so far.

B. Plan Objectives and Progress

(I) First and Second Five Year Plan

23. The need for Governmental efforts to promote the growth of small scale units as ancillaries to the big industries was recognised in the First Five Year Plan. It was noted in the Plan that in certain

industrial spheres "small scale industry is concerned with the manufacture of certain parts or with certain stages of production in a manufacturing process in which the predominant role is that of large scale industry." It was further stated that:—

> "In the Engineering Industries, there is considerable scope for allocating to small scale production particular stages in the process of manufacture. Among the leading examples of this type of small industry may be mentioned the manufacture of cycle parts, electrical goods, cutlery, pottery and agricultural implements. During the war the smaller engineering units achieved valuable results but, subsequently, the shortage of iron and steel and their own weakness in organisation have hit many of them. With improvement in the supply of pig iron and iron and steel generally, for which the Five Year Plan provides, it is expected that these industries will have an expanding field. This result, cannot, however, be achieved without a reservation of spheres according to some central plan for an industry as a whole, supported by considerable assistance in finance, organisation and training on the part of the Central and State Governments."

24. The Second Five Year Plan emphasized the development of ancillaries required close coordination between the large scale and small scale sectors, and suggested:—

> "Such coordination between the two sectors of industry required, however, that (a) purchase of articles or parts from small industries is specifically provided for while planning the production programmes of the large units, and (b) the small industries are brought up to a level where they can maintain an assured supply of products of the requisite standard and specifications."

> "The Small Industries Service Institutes through a special whole-time technical officer will explore the scope for obtaining orders from large industries for various components and parts which small units can manufacture."

Reviewing the progress of the small scale industries programme, in December, 1959, the Third Plan Working Group on Small Scale Industries came to the conclusion that "no significant progress appears to have been made" in regard to the "development of small scale units as Ancillaries to large scale units" which, according to

the Group, was among the "very important items of the Programme emphasized in the Second Plan." The Working Group's comments on the difficulties encountered in the development of ancillaries and its suggestions for accelerating the pace of progress in this sphere are reproduced below:—

> "Despite Government's policy to encourage establishment of small scale units as ancillary units to large scale ones, very little progress has been recorded so far. Large scale units are sceptical about the capacity in the small scale sector and are hesitant to farm out orders for components and parts due to the fear of non-delivery of the stores in time and in accordance with the required specifications and thus slow down or hamper production. On the other hand, the small scale units cannot be expected to concentrate on production of such items, sales of which are solely dependent on the willingness of the purchasers in the large scale sector unless some indication is forthcoming to the effect that what they produce will be readily purchased by the large scale units. This is a vicious circle which has to be broken at some point. It may be necessary to impose a certain amount of restriction on production of such components and parts in the large scale sector (both public and private) as could be delivered by small scale units and till such time that sufficient capacity is developed in this sector, the large scale units may be allowed to import the components and parts, the quantum of import being gradually reduced as the capacity of the small scale sector increases. Unless some such planned approach is made, and some element of compulsion is introduced, it would be difficult to achieve the desired result."

(II) Third Five Year Plan

(a) *Objectives*

25. In the Third Five Year Plan, particular stress was laid on "securing closer integration between small scale and large-scale units over a wide range of industries and the development of small industries as ancillaries."

The Plan also envisaged the setting up of some functional estates for the "specific purpose of accommodating small units which will be working as ancillaries to related large-scale industries". The progress made in the development of ancillaries is reviewed in the following paragraphs.

(b) *State-wise progress* (1964-65):

26. *Andhra Pradesh.*—Parts and components valued at about Rs. 5.2 lakhs were supplied by 28 small scale enterprises to 5 large scale enterprises and to the Government of Andhra Pradesh.

Assam.—Parts and components valued at about Rs. 6.2 lakhs were supplied by 5 small scale enterprises to large scale enterprises.

Bihar.—Parts and components valued at about Rs. 5.9 lakhs were supplied by 2 small scale enterprises to 9 large scale enterprises and to Railways.

Delhi.—Parts and components valued at about Rs. 61.4 lakhs were supplied by 79 small scale enterprises to 30 large scale enterprises (both in the private and public sectors) and for the replacement market. In addition, parts and components valued at about Rs. 102.7 lakhs were supplied for Defence purposes.

Gujarat.—Parts and components valued at Rs. 24.5 lakhs were supplied by about 26 small scale enterprises to 60 large scale enterprises, Central and State Government Departments and for the replacement market.

Jammu & Kashmir.—Parts and components worth about Rs. 2.55 lakhs were supplied by small scale enterprises to large scale enterprises and for the replacement market.

Kerala.—About Rs. 15 lakhs worth of ancillary items were produced during the year. A number of small scale enterpries are said to have been recommended to the Integral Coach Factory and the Indian Telephone Industries.

Madhya Pradesh.—Parts and components valued at about Rs. 6.9 lakhs were supplied by small scale enterprises to large scale enterprises.

Madras.—Orders to the extent of Rs. 317 lakhs were secured by small scale ancillary enterprises.

Maharashtra.—Parts and components valued at about Rs. 58 lakhs were supplied by smalle scale enterprises to large scale enterprises.

Mysore.—Parts and components valued at Rs. 5.14 lakhs were supplied by number of small scale enterprises to large scale enterprises, in the private sector. It has also been stated that the A.C.C.

Sahabad, has selected a plot of land for the establishment of an Ancillary Industrial Estate for 11 enterprises for which detailed schemes have already been prepared.

Punjab.—17 ancillary enterprises, supplied items worth Rs. 32 lakhs. Further, action has been initiated to take up the manufacture of automobile parts and components by small scale enterprise.

Rajasthan.—Small Scale enterprises supplied parts and components valued at Rs. 25 lakhs to 10 large scale enterprises.

Uttar Pradesh.—22 small scale enterprises supplied parts and components valued at Rs. 28.4 lakhs to 51 large scale enterprises, Government enterprises and for the replacement market.

West Bengal.—Parts and components valued at Rs. 74.5 lakhs were supplied by 92 small scale ancillary enterprises to 55 large scale enterprises in the private sector. Defence, Railway and other Government orders were executed to the extent of Rs. 13·2 lakhs, Rs. 8·2 lakhs and Rs. 245.00 lakhs respectively. The value of the total orders executed amounted to Rs. 340·9 lakhs.

It is seen that during 1964-65 the total value of goods supplied by ancillary units throughout the country was about Rs. 10.37 crores. It is further noted that over 80 per cent of this was accounted for by Delhi, Madras and West Bengal which together supplied ancillary goods worth Rs. 8.21 crores.

(c) *Progress in Development of Ancillaries for Public Undertakings*

27. The progress made in the development of ancillaries for the supply of parts and components to the various public undertakings is indicated below:—

Hindustan Machine Tools Ltd., Bangalore

During April-September, 1965 this undertaking procured parts and components of the value of about Rs. 30 lakhs from 41 ancillary units located in their own functional estate. It has been stated that out of 20 units selected for the second phase of development, 3 units have started functioning. The construction of sheds for the remaining 17 units has been completed and the sheds have already been allotted.

The Pinjore unit of the Hindustan Machine Tools has also chalked out production programme keeping in view the provisions for the

development of ancillary units. About 50 units are proposed to be established on an area of about 20 acres. Action is in hand for the construction of sheds for the units.

Heavy Electricals (India) Ltd. Bhopal

In the ancillary Industrial Estate set up for this public undertaking, 6 sheds were constructed and allotted to the small scale ancillary units. In addition, 2 units have also been set up in the vicinity of the undertaking. One more units, which has been allotted a plot of land in the Government Industrial Estate has also been set up as an ancillary to Heavy Electricals (India) Ltd. Products valued about Rs. 19 lakhs have been supplied by these units upto March, 1965. During April-September, 1965 purchases to the extent of Rs. 22 lakhs were made from these units. For the second phase of development of ancillary industries, a number of applications were called for the manufacture of items like hot brass pressing, steel forgings, cotton tapes, glass tapes, P.V.C. Taps and cooling fans. Two suitable units have since been selected for the manufacture of hot brass pressings and cotton and treated tapes.

Heavy Engineering Corporation, Ranchi.

It has been decided by the Bihar Government and Heavy Engineering Corporation that an Industrial Estate may be set up near Heavy Engineering Corporation Works. Unlike H.M.T. Estate at Bangalore, however, the ancillary units in the proposed Ancillary Industrial Estate will also cater to the requirements of some other large scale enterprises in Ranchi such the National Coal Development Corporation, Bharat Ball Bearings, Usha Martin, High Tension Insulator Factory and Refractory Industries. The proposed Industrial Estate which will house 100 units eventually, will be developed in two stages. In the first stage, 30 units will be set up by 1967.

Bharat Electronics Ltd. Bangalore.

An area of 3 acres has been earmarked for the Industrial Estate for this public undertaking, to house 13 small scale ancillary units for the manufacture of items like connectors, switches, eyelets, non-ferrous castings, packing cases, spray painting to components machined components, sheet metal components, tools, dies and press tools, coils and chokes, rubber moulded parts and canvas and leather bags. Temporary sheds have already been allotted to 10 units. During April-September, 1965 orders for Rs. 2:9 lakhs were placed on 9 ancillary units.

Hindustan Steel Plant, Bhilai.

It has been stated that there is good scope for ancillary industries in and around Bhilai and that the management of the Bhilai Steel Plant in cooperation with the Government of Madhya Pradesh "is trying to set up as many industrial units as possible around Bhilai." The Government of Madhya Pradesh has posted a Deputy Director of Industries for giving special attention to the development of ancilary industries. In a report made by an officer of the Central Small Industries Organisation, 10 units for Foundry Shop, Forging Shop, Structural Shop, Machine Shop, Electrical Shop had been recommended for development as ancillaries. The recommendation is said to be under the consideration of the management of the undertaking.

Hindustan Antibiotics Ltd., Rishikesh

A list of items required by this undertaking has been drawn out and circulated amongst the units desirous of working as small scale ancillaries to this undertaking. Some of the parties have also been supplied with schemes on certain items. The Committee have also been informed that officers of the C.S.I.O. and the State Director of Industries have visited the project and held a number of meetings. Four units have been selected for the manufacture of packing cases, cartons, polythene packings and rubber stoppers.

Indian Ordnance Factory, Khamria (Jabalpur)

Parts and components valued at about Rs. 92,000 were supplied by 7 small scale units to the Ordnance factory during the period April-September, 1965. A scheme for setting up ancillaries to the Ordnance Factory is also under the consideration of the undertaking in consultation with the Central Small Industries Organisation. A list of 69 items has been drawn up for consideration.

New Government Electric Factory, Bangalore

Two small scale units have been declared as ancillary for the manufacture of jigs, fixtures, dies and press tools. The Ministry have stated that as this undertaking was finding difficulty in obtaining its requirements of standard items like screws, bolts, nuts, washers. etc., names and addresses of about 42 units producing these items have been furnished to the undertaking.

Indian Railways:

It has been stated that the Railways' requirements of various items were given publicity through the Small Industries Service

Institutes and, as a result, a number of small scale ancillary units are catering to their requirements. About 65 units were introduced to the Controller of States, Central Railways, Bombay, for the supply of 50 items. One small scale unit has been accepted as ancillary to the Diesel Locomotive Works, Varanasi. Proposals for setting up more ancillary units to this undertaking are under consideration.

Mining and Allied Machinery Corporation, Durgapur:

It has been decided by the Corporation to make about 19 acres of land available for allotment to ancillary units. It is proposed to form a local committee with the representatives of local projects (public and private), Director of Industries, West Bengal and the Central Small Industries Organisation for development of ancillary industries. The Mining and Allied Machinery Corporation would be willing to help the small scale units with necessary raw materials, technical know-how and inspection facilities.

Bharat Heavy Electricals, Hardwar.

The project authorities have decided to set up a functional industrial estate and have earmarked about 300 acres of land. A list of items has been prepared and the number of units which can be initially started and the details are being worked out.

Hindustan Antibiotics, Pimpri.

Four units have been set up as ancillaries in the area allotted by the Factory.

Hindustan Aeronautics Ltd., Bangalore

They have indicated their requirements in respect of all items Necessary action for the procurement of these items from small scale sector is being taken.

Atomic Energy Establishment, Trombay.

Some Officers from the Central Small Industries Organisation visited the undertaking and has discussions with the authorities. Three units have been already recommended to them for taking jobs for manufacture of Resistors caps and co-axial connectors.

Indian Oil Company, Bombay.

A unit in Indore has supplied hot plates valued at about Rs. 0.5 lakhs to this undertaking.

Integral Coach Factory, Madras:

The requirements of this undertaking for 58 items were given publicity through the Small Industries Service Institutes. During April-September, 1965 purchases to the extent of Rs. 18.03 lakhs were made from small scale units.

Instrumentation Limited, Kotah:

An Officer of the C.S.I.O. recently visited this undertaking and made recommendations to the State Director of Industries that the requirements of Card Board/Corrugated Boxes, recording paper rolls wooden packing cases may be off-loaded to the small scale units. The recommendation is under the consideration of Director of Industries.

Neyveli Lignite Corporation:

12. Small scale units have secured orders for Rs. 2.33 lakhs for the supply of stores required by them.

Fertiliser Corporation of India Ltd. Bombay:

Nearly 51 units have been introduced to them for Asbestos packings and 20 units for Sac Marking Ink.

28. It is seen that tangible progress in the development of ancillaries has been made only in the case of a few of the public undertakings. At present, only 3 public undertakings—Hindustan Machine Tools, Bangalore, Heavy Electricals, Bhopal and Integral Coach Factory, Madras are obtaining any appreciable quantities of parts/components etc. from ancillary units. The total value of the goods obtained by public undertakings from ancillary units during April-September, 1965 was only Rs. 76.95 lakhs.

(d) *Progress in Development of Functional Industrial Estates*

29. The 'functional estate' idea has been implemented so far in only some of the States. The progress made or the proposals under consideration are briefly reviewed hereunder.

Andhra Pradesh.—The State Government of Andhra Pradesh have set up a few functional industrial units in the Industrial Estate at Sanathnagar for the manufacture of Radios and Radio Spare Parts. Five units have already started functioning. They have also tentatively decided to develop a portion of the Industrial Estate at Vijayawada as a Functional Industrial Estate for the manufacture of machine tools.

Maharashtra.—Survey for preparation of layout plan for Functional Industrial Estate for Automobiles near Dombivilli is being carried out. A functional industrial estate for the electronic components/instruments is functioning at Pimpri near Poona. One unit has started production. A functional industrial estate at Nagpur for agricultural implements is also in progress.

Punjab.—Two Functional Industrial Estates for the manufacture of Automobile and Radio components are proposed to be set up at Jullundur. The State Government of Punjab also propose setting up a Functional Industrial Estate at Ambala for the manufacture of scientific instruments. The sheds of the Functional Industrial Estates are under construction.

Gujarat.—The State Government of Gujarat propose setting up a Functional Industrial Estate for the manufacture of Radio components. A Scheme has already been prepared. It is envisaged that 12 Blocks at a cost of Rs. 3 lakhs will be constructed.

Rajasthan.—A proposal for setting up a Functional Industrial Estate for the manufacture of Radio and Radio components and allied industries is under the consideration of the State Government of Rajasthan.

Madras.—Two Industrial Estates—one for Leather and other for Ceramic goods are proposed to be set up at Vridhachalam (South Arcot District) at Madhavaram, (Chingelput District) respectively.

Delhi.—41 factories for the Sports Goods industries are under construction and are expected to be completed shortly. This colony will be an estate within the Industrial Estate meant for Sports Goods Industry.

West Bengal.—It is proposed to set up an Industrial Estate for the manufacture of Leather Goods at Tangra area of Calcutta. Land Acquisition proceeding have been undertaken by the Land Acquisition Collector.

The Ministry have stated that although the Development Commissioner, Small Scale Industries has been reminding the State Governments about setting up functional estates the latter's "response so far has not been encouraging". Explaining further the poor progress of this scheme, the Ministry have stated:—

> "The main handicap in setting up the Functional Industrial Estates seems to be inadequate provision of finance by the

State Governments. The matter was discussed in one of the meetings of the Standing Committee on Ancillary Industries and it was recommended that the Government should give special priority to these estates."

C. Difficulties in the Development of Ancillaries and Need for Remedial Measures

30. The Standing Committee on Ancillaries, in its First Report (September, 1961) had emphasized that unless concrete steps were taken to ensure adequate supply of raw materials to the ancillary units "other attempts to sponsor the growth of ancillary units are not likely to yield satisfactory results and may even adversely affect the production in the large scale sector." The Committee had also urged the need for intensifying efforts to provide necessary technical guidance and training to ensure production of quality goods by the ancillary units "in order to minimise the often repeated complaints of the large industries that the ancillaries by and large do not possess the necessary technical competency to meet their requirements."

31. In regard to the development of ancillaries to supply the requirements of the various public sector undertakings, the Standing Committee suggested:—

"(a) Most of the public sector projects were initially equipped with machinery to manufacture their 100 per cent requirements except for parts to be imported from abroad. This has become one of the limiting factors in their trying to farm out some work out of their current production programme. However, every effort must be made by the public sector projects to farm out whatever work they can in regard to their current programme. In so far as future expansion programmes are concerned the policy of farming out should be scrupulously observed; even at the stage of initial planning only such equipment should be provided which is necessary for production of items which cannot be produced in the small scale sector. The management of existing public sector undertakings should be charged with the responsibility of sponsoring small industrial units to manufacture their components at the same time as they start planning of their main expansion programme. The same policy should be followed by new public sector undertakings. Wherever possible the setting up of an industrial estate for the ancillary units should be taken up as a part of the overall project.

(b) Similar action should be taken by the State Governments in regard to the projects in the State Sector, where the Government has an interest in the undertaking wholly or partly.

The Standing Committee felt that so far as the large scale industries in the private sector were concerned a different approach would be necessary. It recommended:—

"While an overall survey regarding ancillary industries and the scope for their development is being carried out through various agencies as indicated in para 11(d) of this report, the State Directorates of Industries should also make a detailed survey of components required by large undertakings in their respective States. The data so collected should be obtained by the Central Small Industries Organisation and corelated with the information thrown up by the All India survey. It may then be decided whether some Functional Industrial Estates could be set up during the Third Plan period by each of the State Govments for locating ancillary units to produce components required by large industries. In order to ensure a well balanced development and rational use of available resources there is a need for certain coordinated approach towards the planning and development of such functional estates. For this purpose the procedure may well be that after the Small Industries Service Institutes and the State Governments have conducted a detailed survey of the components required by industries in their areas, the data so collected should be sent to the Ancillary Division of the Central Small Industries Organisation in order to ensure that the programme of development of ancillary industries for Private Sector Projects is planned in a coordinated way on an all India basis. The Committee is of the view that with the object of ensuring more rapid development of ancillary industries, the present procedure for consideration of the applications for the licensing of industries under the Industrial Development and Regulation Act needs to be reviewed. The Committee understand that under this procedure the Development Commissioner for Small Scale Industries has an opportunity to point out before the licence is granted that certain parts and components included in the application are being manufactured or can be manufactured by ancillary industries. However, the Committee feels that more attention should be given to

this aspect in the examination of applications in future. This is a matter of great importance especially in view of the emphasis placed on the development of ancillary industries in the Third Five Year Plan and the programme for the development of Functional Industrial Estates recommended by the committee earlier in this respect."

32. The International Perspective Planning Team (1963) which examined the problems of small scale industries in India in great detail, held that ancillary relationship with large scale units "are an important potential source of strength to small industrial units" However, the small scale units had to be "capable of producing goods that must establish quality standards, at competitive prices and on firm schedules". The Team felt that "achievement of these pre-requisites for health and permanent ancillary arrangements can be fostered by Government services in helping to bring the parties together, in giving technical assistance to small units, and in assuring their access to raw materials on equal terms with large units." The Team did not favour special financial inducements or compulsory measures to encourage ancillary relationships as in its view these "are not likely to be workable, are subject to abuse and are not deemed in the public interest". The Team recognised, however, that the existing system of allocation of raw materials placed the small scale ancillary units at a considerable disadvantage *vis-a-vis* their large scale competitors. It was necessary to offset these disadvantages by granting some protection to the small scale ancillaries. The Team suggested, therefore, that so long as the "present system of allocations and the resultant two-price market continued" it would be logical to restrict licensing of large scale units in all spheres "where capacities of quality production are available among small firms".

33. The Fourth Plan Working Group on small scale industries (July, 1965) has held that the progress achieved in the development of ancillaries so far "has been meagre". The Working Group's suggestions for accelerating the development of ancillaries are reproduced in Appendix V.

It may be mentioned here that there is a considerable volume of opinion favouring some kind of compulsory measures requiring large scale units to obtain their parts and components from small scale ancillary units.

34. A leading economist has suggested to the Committee that it would be "desirable that licences should contain definite requirements regardnng the development of ancillaries". Similar sugges-

tions have been made by some representative Association of small scale industries. One of these has also suggested the need for statutory directives to the Public Undertakings for developing ancillary units to supply their requirements of parts and components. It may be recalled that the International Perspective Planning Team also considered it necessary to restrict licensing of large scale units "where capacities of quality prodution are available in small firms" so long as small scale units were not placed on an equal footing with large scale industries in regard to availability of raw materials. The Fourth Plan Working Group has recommended that "components/parts which could be made in the small scale sector should not be licensed".

The measures taken by the Government to develop ancillaries, both in relation to the public undertakings and the large scale units in the private sector, and the progress achieved in this behalf were discussed at considerable length in the course of official evidence. Reply to a question as to the extent to which the expectations of the Third Plan in regard to the development of ancillaries have been achieved, the representative of the Ministry has stated: "I will not say we have achieved what we thought we will be able to do. But a substantial base has been laid." Asked to indicate the specific measures taken by the Government to foster the development of ancillaries, he said:—

> "The first decision was taken to create an ancillary Division in the small-scale Industries Organisation with a Director in-charge of it whose main responsibility was to make a study of the various fields in which small-scale industries have developed to the stage where they can make a contribution. Having done that, he made contacts with the private sector and public sector units. The Government also requested the public sector units to give all the assistance to the Director in the matter of farming out some of their components for being manufactured by the small-scale industries sector. Since then, some progress has been made and there have been visits to a number of public sector units and discussions have taken place. This movement has gathered a certain amount of strength. We have also repeatedly told the private sector units to take advantage of the capacity of the small scale sector to manufacture their components in an increasing measure."

> "One important thing which I would like to mention here is that the small-scale sector is now in a position to manufacture sophisticated components of high specifications at

an economic price. This scheme has now been working and we have been bringing both small and large scale industries together in order to spread the movement. On the one side we are taking steps for contacting these people and on the other hand we are creating conditions in which this collaboration can take place. This is a continuing activity and in the Fourth Plan we expect that this movement will spread."

Besides bringing the large scale industries and the ancillary units together, Government is also said to provide the latter with technical help and advice through the Small Industries Service Institutes to enable them to produce quality goods.

The Committee have also been informed that each public sector unit has earmarked one officer for the purpose of developing ancillaries. It is the duty of this officer to breakdown the end-product manufactured in the Undertaking into various components which could be handed over to small scale units for manufacture and then to give such units necessary assistance. It has been stated that each public sector unit sends to the CSIO quarterly reports indicating the progress made by it in developing ancillaries. The officers of the CSIO also periodically visit the public sector units and help in finding solutions to the problems faced by them in promoting ancillaries. Reply to a question about the slow progress in the setting up of ancillaries by the public sector undertakings, the representatives of the Ministry has observed during evidence:—

"We are constantly addressing them. Only about a month ago the Minister of Industries addressed the Managing Directors of the various public sector projects. He indicated to them what they should do, particularly in the context of the foreign exchange shortage. He told them that here was an opportunity for them to use the small-scale sector to the largest extent possible."

As to the measures proposed to be taken by the Government to accelerate the development of ancillaries, the representative of the Ministry has observed:—

"For the future we are thinking in a substantially big way. Now, a procedure is proposed to be established under which small industries can make a contribution. We want

to study each line of industrial development and then prepare small booklets indicating that in these areas of development small-scale industries can produce such and such parts. That will be one method of development. Secondly, even when licensing is done, we propose to ask the man who applies for the licence as to what extent he can take parts from the small-scale sector ancillary industries. It is intended that the licensing committee will take note of that."

Regarding the present procedure for licensing of large scale units the Ministry have stated that although the Development Commissioner Small Scale Industries is represented on the Licensing Committee "the applications of prospective units are not scrutinized so far from the ancillaries point of view."

The question whether voluntary measures alone could be depended upon to induce the large scale industries to farm out their parts and components to small scale ancillaries or some kind of compulsion would be necessary has evoked some interesting discussion during official evidence. A few extracts are reproduced below:

A Member:

"Unless there is some legislation for that, it is not going to help. Even in the public sector, we have seen it, leaving apart the private sector. Even in the public sector, they are not cooperating.

Representative of the Ministry:

We have not been thinking of going to the extent of compulsion. But whenever we license a large unit, we could ask them to specify in the industrial licence itself what are the components which they should get manufactured by ancillaries. We have not actually implemented this idea because in a large number of cases, if you put that condition in the licence, quite often it jeopardises the main licence taking shape. So, we still feel, if it is possible, this is the way we should do it, not to compel them to go to the anciallaries, but persuade them."

A Member:

Take the other side of the picture. There is uncertainty in the minds of the small-scale industrialists. They have to

depend on the mercy of somebody else. This uncertainty may come into the way of developing small-scale industries.

Representative of the Ministry:

I agree some way must be found short of compulsion to the large-scale sector people.

A Member:

Why short of compulsion For the public sector industries at least there could be some compulsion.

Representative of the Ministry:

About the public sector industries, there is no difficulty about compelling them. But in the case of private sector there is this difficulty. Now, wherever an industry has spread out, there is ordinarily no difficulty in getting these ancillary industries set up. But take the case of Bhopal; though in the public sector, we found it very difficult to get anybody to set up a small scale unit. In fact they went to the extent of inviting people from Punjab to come and settle down there. But they did not succeed. In some cases in the public sector there is the difficulty of local non-availability to talent or initiative. Otherwise, with regard to the public sector promoting the growth of ancillary units as a matter of philosophy there is no opposition or difficulty."

Further maintaining that in the development of ancillaries it is not possible "to force the pace" and that there are certain limitations to what the small scale units can achieve, the representative of the Ministry has stated:—

"Suppose you force a large scale units to plan a component to be made by a small scale unit, the large scale unit will have to be satisfied about its specification, about its price.

The big people must feel the need for being catered to by a small ancillary unit. If I can make even a very little component in my own shed, I will not be tempted to go to a small unit to purchase my ancillaries requirement. Therefore, in order to induce me to go to a smaller unit for purchasing any ancillary or component, the ancillary must by cheaper without dropping any specifications or quality. It must be cheaper than what it would be if I have to make it myself.

The small industries should first establish their ability to produce the sophisticated goods in approved specifications.

Because of the presence of a comparatively smaller investment, the small sector ancillary unit ought to be cheaper. But the large producer must be made to realise this and I don't think this could be done by compulsion. This is a process of education."

Finally, as to the desirability of introducing some kind of compulsion to hasten the pace of development of ancillaries, the representative of the Ministry has observed, "I am not in favour of imposing a condition which could be a compulsory condition to be fulfilled for the licence granted to large scale units. But it is possible to consider this further, if persuasion fails to have its effect."

Comments and suggestions of the Estimates Committee

35. (i) *Unsatisfactory progress*

The Committee note that the total value of goods supplied by small scale ancillaries in the various states to industries in the large scale sector during the year 1964-65 was Rs. 10·37 crores of which over 80 per cent was accounted for by Delhi, Madras and West Bengal. They also note that the total value of the goods obtained by the public sector undertakings from ancillary units during half-year April—September, 1965 was only Rs. 76·95 lakhs. Only three public undertakings— Hindustan Machine Tools, Bangalore; Heavy Electricals, Bhopal; and Integral Coach Factory, Madras—have been obtaining appreciable quantities of the requirements from small scale ancillaries. There has been very little progress in developing functional estates either for the public undertakings or for large scale units in the private sector.

(ii) *Role of CSIO and Government in developing Ancillaries*

The Committee regret to note that although the development of ancillary industries has figured as an important feature of the small scale industries programme ever since the First Five Year Plan, the actual achievements cannot but be regarded as meagre. They would also like to record here that in respect of the 16 industries which have been specially selected for development as ancillaries, the C.S.I.O. have no separate date about the number of ancillary units of the value of products supplied by them to large scale units. They also do not appear to keep any record of small scale units which have been brought into ancillary relationship with large scale units through

the efforts of the C.S.I.O. or the Small Industries Service Institutes. In fact, the Ministry have stated that many small scale units have been working as ancillaries for long period even before the programme for development of ancillaries was initiated. It is evident that even the little progress that has been achieved in the development of ancillaries in the country cannot be mainly attributed to the Government's programme for the development of ancillaries. At least the Committee have not been able to get any specific data regarding the contributions of the C.S.I.O. in the development of ancillary industries.

The Committee are particularly distressed to note the very slow and insignificant progress made in fostering ancillaries by the public undertakings which might well have given a lead in demonstrating the usefulness of ancillary arrangements and set an example to their counterparts in the private sector. The Committee, however, have not any data to refute the general suspicion that even in the Public Undertakings there is a sort of resistance to encourage ancillary industries.

The Committee are constrained to observe that beyond reiterating the need for developing ancillaries in the successive Five Year Plans, no serious effort has been made to implement the idea or even to formulate a realistic policy aimed at producing concrete results. The Committee feel that Government should have taken up the matter with the C.S.I.O. to keep themselves fully informed of the measures taken by it for fostering ancillary industries and also of the difficulties impeding the growth of ancillaries and should have taken remedial measures.

The Committee would also like to record that the achievements of the Ancillaries Division do not appear to be commensurate with the expenditure incurred on it. They would like the working of the Division to be thoroughly reviewed at an early date and suitable measures taken to improve its performance.

(iii) *Need for Uniform Development*

As the development of ancillaries constitutes an important element in the growth of the small scale sector, the Committee fail to understand why progress in this field should have been restricted to a few States. They would like the Government to take suitable measure to ensure, as far as possible, uniform development of ancillaries all over the country.

(iv) *Difficulties in the development of Ancillaries*

The Committee are of the view that the chief difficulties in the development of ancillaries are:

(a) inadequate supplies of raw materials,

(b) lack of firm orders from large scale units.

(v) *Raw Materials for Ancillary Units*

So far as the question of raw materials is concerned, the Committee have recommended in Chapter IV (Part I) a system of equitable distribution of scarce raw materials ensuring equitable treatment to all industrial units according to their production capacity and the importance of their end-products in the overall national economy. They would like to suggest here that until the new system is introduced scarce raw materials should be supplied to ancillary units on a priority basis, if necessary by making suitable deductions from the quotas of the corresponding large scale units.

(vi) *Development of ancillary relationships.*

The Committee recognise that the problem of ensuring a regular flow of orders to ancillary units, in other words of establishing firm ancillary relationships between small scale and large scale units, particularly in the private sector, bristles with difficulties. On the one hand, because of the high prices prevailing in the sheltered domestic market and the consequent high profitability, large scale units feel induced to produce all parts/components required by them. There is also the understandable hesitation of the large scale units to farm out orders for parts and components to small scale units due to doubts about the latter's ability to produce goods of standard quality, at competitive prices and on firm time schedules. On the other hand, the small scale units cannot be expected to concentrate on production of such items, sales of which are solely dependent on the willingness of the purchasers in the large scale sector unless there is a definite indication that what they produce will be readily purchased by the large scale units. The Committee feel that this vicious circle can and must be broken. They regret that the C.S.I.O. has not so far taken concerted measures in this direction.

The Committee have given serious consideration to the suggestions made in certain quarter that components/parts which could be made in the small scale sector should not be licensed to the large scale sector. They are unable to support any such categorical

reservation. They feel that an abrupt and blanket ban on licensing of parts and components to the large scale units may well hamper industrial production in the country because the small scale sector cannot be expected to produce at short notice and at an economic price all those goods which are sought to be banned to the large scale sector.

(vii) The Committee suggest that in the first place the C.S.I.O. should prepare a list of some selected parts and components, preferably those which are at present largely imported and are capable of being manufactured by small scale units. It should then, depending upon the demand for the goods, locate a sufficient number of competent small scale units which are willing to produce the required items. The C.S.I.O. should assure them a regular supply of the needed raw materials and give them every help in obtaining the required machinery and such financial assistance from governmental/institutional sources as is available to small scale units.

The C.S.I.O. should also give the units intensive technical assistance and guidance to produce quality goods at an economic price. It should encourage the formulation of I.S.I. standards for the goods produced by the small scale sector so that small scale units may be induced to obtain I.S.I. certification for their products and there may be no room for complaint that the products do not conform to the requisite standards. After the preliminary selection of the items and the location of the prospective ancillary units have been completed, the import of the concerned parts/components should be reduced according to a phased programme and no new units or additional capacity for the manufacture of such items should be sanctioned for the large scale sector.

The Committee would like to urge that determined efforts should be made to make a success of this experiment. It is well-known that because of low overhead costs and their ability to specialise in manufacturing items requiring a high degree of precision and technical skill, small scale units have an edge over large scale units in certain spheres of production. The growth of small scale ancillary units in highly industrialised countries like the U.S.A., the Federal Republic of Germany, Sweden and Japan, clearly shows that the concept of ancillaries is basically sound and justifiable on purely economic grounds. Therefore, once, through concerted efforts of the C.S.I.O. and the entrepreneurs, the capacity of ancillaries to supply quality parts in time and at reasonable cost is proved, the attitude of the large sector is bound to change and the necessary climate will be created for the steady growth of the ancillary movement. The Com-

mittee hope that the C.S.I.O. will take more energetic and effective steps in this matter.

(viii) The Committee also urge that intensive efforts should be made by public undertakings to farm out their parts/components to ancillary units. They would like the Railways and the other well established public undertakings, like H.M.T., Hindustan Steel etc., to take speedy measures in this behalf and give a lead to other concerns in the public and private sectors. It is necessary to remove the impression that Government expects the large scale units in the private sector to accept something which it does not consider good enough for its own undertakings.

(ix) *Government Purchases from Ancillary Units*

The Committee would also like to endorse a suggestion made by the Fourth Plan Working Group on Small Scale Industries, namely:

> "the Director-General of Supplies and Disposals while considering tenders for all group II items, *i.e.* those which could be made only in the large scale sector but provide an opportunity to sub-contract to small scale units, should specifically invite information about the ancillaries to which the work will be farmed out and give a preference on this basis. Tenderers who previously supplied to the D.G.S. & D. might also be evaluated and rated according to the use they made of ancillaries."

The Committee consider that in the case of many Government purchases, for example, of large and complex military items, sub-contracting is the only practical way for small firms to participate. They would like the C.S.I.O. to prepare in cooperation with the D.G.S. & D. a comprehensive scheme for giving ancillaries a greater share in supplying Government stores.

(x) The Committee would also like to mention particularly that the contribution of the small scale industries towards meeting the requirements of ordnance factories is meagre at present. The Committee feel that the defence authorities should procure a larger percentage of their requirements from small scale industries and should encourage small entrepreneurs to set up ancillaries for supplying parts and components to the ordnance factories. The C.S.I.O. should have acted as the liaison between the Defence, Railways etc., and the small scale industries.

(xi) *Publicity for Ancillary Industries.*

The Committee further recommend that Government should assist ancillary units in advertising their products. The C.S.I.O. should also regularly prepare lists of parts and components that can be made in ancillary units and circulate them regularly to all Government Departments and members of the licensing committee and should continue to pursue the matter with the Government Departments and also with the Small Scale Industries. The lists should be given wide publicity so that prospective entrepreneurs in large scale sector might plan their projects suitably. It needs hardly to be stressed that these lists should always be taken into consideration by the concerned Central and State Government Departments while preparing project reports of public undertakings.

(xii) *Functional Estates.*

The Committee feel that the experience gained so far in the working of functional estates is not sufficient to prove their utility conclusively. As the units in such estates would have to depend on buyers in the large scale sector, it is necessary that before the establishment of any such estate in future there should be a firm assurance of the off-take of the production.

Lastly, the Committee would like to suggest that in implementing the programme for the development of ancillaries, or for that matter, for all small scale industries, care should be taken to see that the benefits intended for small entrepreneurs are not manipulated by large scale units by setting up ancillaries under 'benami'.

III. COMMON PRODUCTION PROGRAMME

A. **Introduction**

36. The term 'common production programme' has been used in the Third Five Year Plans as a convenient way of describing "the basic approach adopted for determining, while formulating programmes of development for different sections of an industry, the respective contributions which the large scale and small scale and cottage sectors could make towards the total requirements of the community, in the context of the social and other objectives." The measures adopted to enable small scale industries to fulfil the targets proposed for them under a common production programme fall broadly into two groups, namely:

(i) Those intended to provide a degree of preference or assurance of a market for small units; and

(ii) Those intended to provide assistance through supply of raw materials, technical guidance, financial assistance, training, research, organisation of marketing etc.

B. **Progress of the Programme**

(I) First and Second Five Year Plans

37. The First Five Year Plan recommended the principle of common production programme for related large scale and small scale industries. The Plan visualised that one or more of the three main steps, indicated below, might be needed in furtherance of a common production programme:

(1) reservation or demarcation of spheres of production;

(2) non-expansion of the capacity of a large scale industry, and

(3) imposition of a cess on a large scale industry.

The Industrial Policy Resolution of 1956 made a reference to these measures and emphasized:

"While such measures will continue to be taken, whenever necessary, the aim of the State policy will be to ensure that the decentralized sector acquires sufficient vitality to be self-supporting and its development is integrated with

that of large scale industry. The State will, therefore, concentrate on measures designed to improve the competitive strength of the small scale producer. For this it is essential that the technique of production should be constantly improved and modernised."

38. The Second Five Year Plan stated that for building up a decentralised sector in modern industry, within the limits of technical possibilities, "demarcation of spheres of production can be of material assistance to small units which are either competitive with large units in the manufacture of particular articles or should be integrated with large units in terms of stages of production or manufacture of ancillary parts." The Plan urged that this approach "has to be adopted in appropriate fields whether the large units are in the public sector or in the private sector."

The Second Plan also suggested that in applying the policy of non-expansion of the capacity of large scale industry so as to provide a measure of assurance of market to small scale units, certain considerations would have to be kept in view. These were described as follows:

"Proposals for non-expansion of the capacity of a large scale industry have to be considered from two different points of view. The first is the extent to which such a measure would enlarge the market for small units. It may sometimes be that for lack of organisation or other similar reason full advantage may not be taken of the available market. The second aspect to consider is the volume of production of a commodity that may be required in the economy. In this connection the likely trends of future demand are specially relevant during a period of development in which considerable public and private outlay will occur, within the limits set by the need to avoid shortage of goods on the one hand, and the extent to which production in small units can be organised effectively to take advantage of a larger market, in any individual case, the balance of public advantage will determine whether and at what level the capacity of a large scale industry should be limited. In applying the policy there is need for review from time to time in the light of changing economic conditions."

While recognising the importance of the common production programme, the Second Plan also stated that the devices for giving effect

to the programme—such as demarcation of spheres of production, non-expansion of capacity of large scale industries—represented "only a part of the totality of action to be taken" for the development of small scale industries and "are intended ordinarily to afford time and opportunity to the sector of village and small industries to gain the necessary strength to develop on its own." The Plan urged:

> "They have to be supplemented, wherever feasible, by common marketing arrangements through cooperative organisations in which the State may participate. A great deal of attention must be given to ensuring that the positive measures of organisation and assistance succeed and succeed without loss of time."

39. During the First and Second Plans, spheres of production of small and large units were demarcated in the case of some industries, such as cotton textiles and agricultural implements. In a few other industries such as bicycles, sewing machines and storage batteries, after estimating the requirements, separate targets of production were laid down for the large scale and small scale sectors.

On a review of the implementation of the common production programme during the First and Second Five Year Plans, the Third Plan Working Group came to the conclusion that the progress made had not been significant. The Group observed:

> "Despite the emphasis laid on this programme in the first and second Five Year Plans and importance given in the Industrial Policy Resolution, the Working Group felt that the progress achieved in this regard has not been significant, notwithstanding the fact that there has been a general increase in production and also a consequent increase in the employment opportunities provided by the small scale sector. Specific Common Production Programmes were decided upon in respect of only three items. Out of these, no progress, whatsoever, was made on one of the items, *viz.*, storage batteries. Even in regard to the other two items *viz.*, sewing machines and bicycles, where specific targets had been fixed during the Second Plan period for production in the respective sectors, it could not be said that the progress had been quite satisfactory, although it was observed that there had been an increase in production in both the items in the large scale sector as well as in the small scale sector. The Group was given to understand that even some of the large scale cycle manufacturers who

had the advantage of a better organised marketing system and a stronger financial position to offer credit to the wholesale dealers, were finding it difficult to sell their products bearing well established trade names. It was quite evident from these market trends that the main reason for this unsatisfactory state of affairs was to a certain extent due to the fixation of unrealistic targets, actual demands having been obviously much less than what were anticipated. The Group, therefore, strongly felt that unless due care was given to the realistic fixation of these targets, the Common Production Programme would not succeed."

While stressing that various factors like employment potential, quality of the new products, anticipated demands, sales organisation, should be taken into consideration before laying down the targets for production programme, the Working Group recommended that the possibility of reserving exclusively for the small scale sector the production of the increasing number of items where it was capable of meeting the anticipated demand satisfactorily might be considered. The Group suggested a number of items where such reservation could be made. It, however, made it clear that such reservation "should not affect the existing capacity of the large scale industries at present equipped to produce them". In addition to reservation in respect of certain items, the Group also suggested that "the common production programme should be gradually extended to a number of industries where the small scale sector can economically undertake production."

The Estimates Committee (Second Lok Sabha) had noted in their 77th Report (March, 1960, *i.e.* before the commencement of the Third Plan), that no significant progress had been achieved in giving effect to the principle of common production programme especially emphasized in both the First and Second Five Year Plans. The Committee made the following recommendations with regard to the future working of the programme:

"The Committee agree that while it may be desirable to have a system of common production programme by reserving certain spheres of production to small industries, the matter should be viewed from the standpoint of industrial economics and the benefits of such a programme should be not only in terms of employment provided or decentralisation achieved but also from the point of view of the best and most profitable utilisation of available resources. The Committee feel that the programme of common production should be examined thoroughly before decisions

are taken to reserve certain spheres of production to small industries. They, therefore, recommend that a Committee of technical experts be set up to go into the whole matter and to suggest the fields where a programme of common production would be practicable and economically feasible before further steps to reserve industries to the small scale sector are taken. The Committee further suggest that in those fields where the system of common production is introduced special steps should be taken to ensure that production does not lag behind and that the quality of production is maintained."

The above recommendations were accepted by the Government.

(II) THIRD FIVE YEAR PLAN

40. The Third Five Year Plan while emphasising the need of closer integration between the small scale and the large scale sectors suggested that "In each branch of industry, with a view to planned development it is essential to take a comprehensive view of the requirements of the community, the contribution which small industries can make in relation to large scale industries and the extent to which processes and stages of production can be decentralised." The Plan recognised that the general principles underlying the common production programme should be applied only after detailed study and investigation of the problems of particular industries. It listed the following among the industries which were then being studied for the purpose of the common production programme:

(i) agricultural implements and machinery;
(ii) machine and hand tools;
(iii) bicycles and bicycle parts;
(iv) sewing machines and sewing machine parts;
(v) automobile and diesel engine parts;
(vi) radio receivers and amplifiers;
(vii) tanning and footwear;
(viii) fruit and vegetable preservation;
(ix) cotton textile and machinery parts;
(x) electric motors (fractional) and fans;
(xi) paints and varnishes;
(xii) storage batteries;
(xiii) scientific and table glassware;
(xiv) surgical and mathematical instruments; and
(xv) plastic products.

It has been stated in a note furnished by the Ministry that "the steps contemplated in the Third Five Year Plan (*i.e.* detailed study and investigation of the problems of particular industries) did not materialise and targets for production of the above items in the small scale sector were not set." The Fourth Plan Working Group (July, 1965) has observed, in this connection:

> "The Common Production Programme according to which targets for production are set for industrial units in the large and small sector together has not been pursued in the Third Five Year Plan. As we have mentioned, studies which were expected to be conducted were not undertaken with the result that the units in the small scale sector could not get definite allotments of raw materials like their counterparts in the large scale sector."

In another note submitted by the Ministry setting out the experience of the Central Small Industries Organisation in working the common production programmes, it has been admitted that the programmes have not succeeded.

The factors accounting for this situation have been summarized in the note as follows:

> "The main reason why the programmes have not succeeded is that the items were selected without detailed studies of comparative cost of production in the two sectors. The large scale economies both in the case of cycles and sewing machines are such that they make the items more amenable to large scale production. Large scale units by installing automats, semi-automats and other requisite jigs and fixtures can easily reduce their production costs and thereby successfully oust their small scale counter-parts from the market. Enamelling under thermostatic control, electroplating and other such processes also facilitate large scale production.
>
> In the beginning when facilities for import of components were provided to small scale units, they along with the large scale units did well in the scarcity conditions which then prevailed in the market. Both large and small scale units were importing some of the vital components from abroad and the large scale units as such did not have much competitive advantage. With the starting of manufacture of these components in the large scale sector, however, the

small scale units are finding it increasingly difficult to stand the competition as many of them have to purchase some of the components from their competing large scale units who charge comparatively higher prices."

41. On the factors influencing the successful working of the programme, the note supplied by the Ministry contains the following comments and suggestions:

"(i) *Selection of the Industry*

In case of industries with considerable economies in large scale production, smaller units would be at a disadvantage. Where economies of large scale production are offset by increased oberheads, perhaps small scale units can hold their own.

(ii) *Selection of units*

The units with definite known installed capacity and progressive management should be selected for participation in the programme.

The units should also be regularly inspected to check up their achievements.

(iii) *Technical Assistance*

The selected units should be given necessary technical assistance by persons who have special knowledge in the particular industries.

(iv) *Raw material and other resources*

The selected units in the small scale sector should have equal access to raw materials and other resources with large scale units."

The Ministry have also suggested that reasonable quantities of components, manufactured indigenously by large scale units, should be given at ex-factory prices to the small scale units participating in the common production programme.

Asked for the reasons for not implementing the common production programme during the Third Plan period, the representative of the Ministry has stated:

"What actually happened during the Third Plan period was, no specific proportion was set aside for small industries as such. When we knew that a particular item of production could be handled well in the small scale sector we informed

the Licensing Committee of this position. The Licensing Committee then took note of that fact and did not allow further capacity to be licensed in that (the large scale) sector. This is how in .the .Third Plan .we had been gradually feeling our way."

He has added that on the basis of the experience gained during the Third Plan it would be possible to set aside, during the Fourth Plan period, "a certain proportion for the small scale sector because we have now passed the stage of experimentation and the small scale sector having demonstrated their ability it will be possible to give them a definite share."

Replying to another question as to the action taken on the recommendation made by the Estimates Committee (Second Lok Sabha) in their 77th Report, for the setting up of a committee of technical experts to undertake a thorough examination of the common production programme and suggest the fields where such a programme would be practicable and economically feasible, the representative of the Ministry has stated:

"Actually, the only way in which we have not fully implemented this recommendation of the Estimates Committee is in not appointing a committee which will go into the whole field of industry and decide purely on *a priori* ground that so much should be reserved for small sector. As and when every single industrial application comes for licence in the large scale sector, it is considered in the Licensing Committee as to whether it is possible to earmark the whole or any portion of that particular product to the small scale sector. Therefore, this in practice has been implemented though not in the form in which it was recommended."

The Committee are unhappy to note that detailed industry-wise studies which were recommended in the Third Five Year Plan itself as pre-requisites for the implementation of the common production programme were not undertaken with the result that the programme has not been systematically pursued during the Third Five Year Plan. The Committee also deplore the fact that the recommendation made by the Estimates Committee (Second Lok Sabha) in their 77th Report for the setting up of a committee of technical experts to examine the working of the common production programme and make appropriate recommendation has not been implemented although it was accepted by Government. The Committee have a feeling that the Government have only enunciated the common production policy but

have not given due attention to its implementation in actual practice and have rather allowed a policy of drift in this matter.

The Committee note that the main reasons why common production programmes have not succeeded in the past are that (a) the items were selected without detailed studies of comparative cost of production in the two sectors, (b) the small scale units did not have equality of treatment with large scale units regarding the allotment of scarce raw materials and in many cases the small scale units had to purchase some of the components from their competing large scale units who charged comparatively higher prices.

The Committee consider it imperative that the selection of industries for the common production programme should be invariably preceded by and based on detailed study and investigation of such factors as the relation between scale of production and cost, quality requirements, existing capacities in the large scale and small scale sectors, present and likely future demand etc. Generally speaking, such industries should be selected for a small scale units in which the economies of mass production and distribution are offset by increased overheads. In the case of industries in which small scale units have demonstrated their capacity by accounting for a major portion of production, it would be reasonable to reserve the bulk of future expansion for the small scale sector.

The Committee also feel that for industries in which both the small and large units have been already allowed to function, protective measures for the smaller units should be taken e.g. preferential or at least equal treatment in the distribution of materials, loan facilities, supply of components and spares by the big units at reasonable prices, tariff protection etc.

The Committee have recommended in Chapter IV (Part I) that the distribution of scarce raw materials should be based on an equitable system ensuring equality of treatment to all industrial units irrespective of the sector to which they belong. They would like to stress here that an equitable distribution of scarce raw materials is also a pre-requisite for the successful working of the common production programme, for it would be unrealistic to expect participating small scale units to hold their own against their large scale competitors if they are handicapped by higher costs of essential raw materials and components. The Committee, therefore, urge that if the Government really wish to give a fair trial to the concept of common production programme they must hasten to bring into existence a system of equitable distribution of scarce raw materials.

Government should also evolve and enforce a suitable formula to ensure that components and parts maufactured by indigenous large scale units are available to the small scale units at reasonable prices.

The Committee agree with the view that units with known installed capacity and progressive management should be selected for participation in the common production programme. They are also glad to note that Government are aware of the need to provide the selected small scale units with "necessary technical assistance by persons who have special knowledge in the particular industries". The Committee hope that necessary measures will be taken to see that the requisite technical assistance is provided to the small scale units by the Small Industries Service Institute of the C.S.I.O. in a systematic and effective manner so that the small scale units can produce quality goods which can stand comparison with those produced by the large scale units.

IV. THE INDUSTRIAL EXTENSION SERVICE

A. General

42. The Industrial Extension Service has been described as "the most important item in the programme for the development of small industries." The object of this service is to provide small industrial units with diverse facilities such as technical assistance, advice to proper use of raw materials, efficient methods of production and marketing supply of designs, information and guidance on the latest advances in technology, management etc. The service is provided through the Small Industries Service Institutes, Branch Institutes and the Extension Centres located in different parts of the country.

The Small Industries Service Institutes and the Branch Institutes are apex agencies for rendering coordinated industrial extension service while the Extension Centres are miniature institutes in the sense that their activities are limited to one or more specific industries and restricted to a smaller area. The Extension Centres, like the Small Industries Service Institute, assist individual entrepreneurs to solve common technical problems, suggest improved designs and more upto-date techniques of manufacture and provide training in improved techniques of production, management, marketing etc.

B. Scope of the Industrial Extension Service

43. It has been stated that the Industrial Extension Service includes the following activities :

(1) *Technical Advisory Service*

(i) To give direct technical advice for setting up new small scale enterprises; choice of machinery, design, fabrication, layout, installation and operation of plant and machinery.

(ii) To prepare designs and drawings for production equipment and accessories, jigs, fixtures, tools and gauges and assist in improving the production processes generally.

(iii) To provide technical guidance on the efficient use of raw materials, utilisation of substitutes, salvages and scraps.

(iv) To provide technical assistance in design and development of new products and bye-products, standardisation and simplification of designs of existing products.

(v) To provide technical assistance in the development of ancillary enterprises.

(2) *Workshop and Laboratory Service*

(i) To demonstrate use of modern technical processes on selected machines and equipment.

(ii) To assist in the testing of raw materials and products of small scale enterprises and assist in their inspection and quality control.

(iii) To provide common service and tool room facilities.

(iv) To carry out experiments, and laboratory analysis on new and substitute raw materials and study the effects of design variables on performance, quality improvement and such other field problems as are posted by small scale enterprises.

(3) *Management Consultancy Service*

(i) To give guidance in proper methods of industrial management including cost reduction, finance and accounts production management, marketing and other specific areas of industrial engineering with a view to ensuring intensive utilisation of resources.

(ii) To conduct complete in-plant studies, as well as provide *ad-hoc* managerial advice on specific problems.

(iii) To provide special techno-managerial advice for cost reduction and quality improvement to export-oriented small scale enterprises.

(4) *Managerial and Technical Training Service*

(i) To conduct general Industrial Management Training Course and other courses in specialised subjects like Financial Management, Production Management and Marketing also to conduct *ad-hoc* courses in other areas of interest to small scale industries.

(ii) To conduct technical training courses in various subjects for supervisors and artisans, such as, Machine Shop Practice, Tool Room Practice, Foundry Practice, Blue-print Reading, Heat Treatment, Electroplating, Footwear manufacture, Fruit Preservation etc.

(iii) To conduct Export Promotion Courses for small scale industries.

(iv) To train village artisans in the use of improved tools and equipment through mobile workshops.

(5) *Economic Service*

(i) To conduct economic surveys of particular industries and areas and make concrete recommendations for development programmes.

(ii) To undertake market distribution aid surveys for individual enterprises.

(iii) To supply market information in selected cases.

(6) *Information Service*

(i) To provide guidance on the establishment of new enterprises.

(ii) To prepare and publish model schemes, technical bulletins, industry prospect sheets and other promotional literature.

(7) *General Service*

(i) To enlist small scale enterprises for participation in Government Stores Purchase Programme.

(ii) To recommend small scale enterprises to public and private large industries for supply of stores.

(iii) To guide and encourage small scale enterprises to undertake exports.

(iv) To recommend small scale enterprises for financial assistance from the State Bank.

(v) To render advice on procuring machinery on hire-purchase basis from the National Small Industries Corporation.

(vi) To render all assistance-technical, managerial, economic, etc. in the Programmes of Rural Industrialization launched at 45 Rural Industrial Projects by the Planning Commission.

C. Review and Suggestions

(I) Main Achievements

(a) *Technical Advice*

44. The principal objective and main concern of the Small Industries Service Institutes and the Extension Centres attached to them is to give direct technical advice and instruction to small scale units. It has been stated that technical assistance is rendered to small scale entrepreneurs when they visit a Small Industries Service Institute. It is also rendered when, either on the request of an entrepreneur or on their own initiative, the technical officer of the Institute, visit a unit. Besides providing technical assistance, the Small Industries Service Institutes also deal with requests for general assistance from small scale units. Details regarding the technical and other assistance given by the Small Industries Service Institutes during each of the last four years are indicated in the following table:

Year	No. of cases given technical advice	No. of cases given advice to start new industries	No. of cases given other assistance	No. of factory visits paid
1961-62	41387	23531	41386	46386
1962-63	49579	32919	43625	48777
1963-64	52896	24995	67638	52466
1964-65	52980	66287	24569	50080

(b) *Designs and Drawings*

45. The work in regard to the preparation of designs and drawings for tools, machines, dies, jigs etc. is done mostly at the Central Industrial Designs Cell located at the Small Industries Service Institute, New Delhi. The Cell was established in 1960. The Committee are informed that designs and drawings are prepared either on the initiative of the designers of the cell or at the instance of small industrialists who approach them for the work. Details of the work done by the Design Cell during each year since its inception are as under:

Details of the work done by the Industrial Design Cell from 1960 to 1965.

Year	Designs made	Drawings made	Prototypes	No. of Implementations.	No. of designs blue-prints supplied
1960	147	244	59	41	1,152
1961	175	213	17	15	1,583
1962	151	234	11	24	1,483
1963	160	174	23	32	2,499
1964	95	186	36	28	1,218
1965	66	155	11	19	1,266
TOTAL OF SIX YEARS	794	1,206	157	159	9,201

46. The strength of the cell and the expenditure incurred on it during each of the last five years are indicated below:

Year	I.D.	AID	Staff employed in Design Cell					Expenditure incurred (Rs.)
			D'man	Mechanic	Steno	L.D.C.	Peon	
1961-62	2	7	8	1	1	1	2	1,36,831·1
1962-63	2	7	8	1	1	1	2	1,47,319·83
1963-64	2	7	7	1	1	1	2	1,56,620·55
1964-65	2	7	7	1	1	1	2	1,64,420·65
1965-66	2	7	7	1	1	1	2	1,79,472·65

I. D. stands for Industrial Designer.

AID stands for Asstt. Industrial Designer.

D'man stands for Draughtsmen.

(c) *Model Schemes*

47. Model schemes containing information on requirements in respect of land, building, machinery and equipment, staff, raw materials, working capital, cost of production and estimated returns for a product which can be taken up in the small scale sector are prepared by Small Industries Service Institutes for the guidance of prospective entrepreneurs. Besides, technical bulletins (TBTs) detailing the DOs and DONTs, operational details of different industries are also prepared and distributed to small industrialists either free or at nominal cost. Details of the work done in this regard during the Third Five Year Plan are given below:

Year	Model Schemes prepared	T.B.Ts prepared
1961-62 . . .	543	167
1962-63 .	327	196
1963-64 . .	237	108
1964-65 (upto Sept. 1964 only) .	116	18

(d) *Mobile Workshops*

48. It has been stated that "in order to assist artisans to see new techniques and to improve production, mobile workshops have been attached to several Small Industries Service Institutes". There are at present 46 mobile workshops in all. Besides being used for demonstrating new techniques, the mobile workshops are utilised for conducting short training courses for village artisans at different centres in such trades as blacksmithy, carpentry, leather work, electroplating, general engineering etc. Details about the operation of the Mobile Workshops during the period 1961—65 are given below:

Year	Centres visited	Demonstrations held	No. of artisans trained
1961-62 .	1341	4613	7411
1962-63	1167	5063	5661
1963-64	1431	4667	5598
1964-65 .	1930	5204	6477

The Committee have been informed during evidence that, in pursuance of the recommendation made by the Organisational Committee (1962), the Mobile Workshops will be transferred to the State Governments "from the beginning of the Fourth Plan."

(e) *Surveys*

49. The Central Small Industries Organisation conducts mainly four types of surveys *viz.*:

(i) Industry outlook surveys,

(ii) Area surveys,

(iii) Market surveys,

(iv) Ad-hoc surveys.

The Industry Outlook Surveys involve study of a specific industry and assist in the preparation of Industry Outlook Report/ Industry Prospect Sheets (Model Schemes) on regional and All-India basis. So far 24 All-India Industry Outlook Reports, also known as Analysis and Planning Reports, 125 Regional Industry Outlook Reports and 140 Industry Prospects Sheets have been prepared. Area surveys involve study of industrial development potential in a particular area like a Community Development Block or a District or places selected by credit institutions like the State Bank of India. Such surveys are carried out from the point of view of scope of expansion in existing industries and the scope of establishing new industries. So far 29 Community Project Areas and another 100 areas including townships, districts, erstwhile foreign possessions River Valley Project areas, Development Project areas and also an entire State, have been surveyed.

Market surveys are intended to assist individual manufacturers in solving their marketing problems. So far 215 such surveys have been conducted.

Ad hoc surveys, intended to assist entrepreneurs, Government, Licensing Authorities, Tariff Commission etc. to enable them to take decisions in various policy matters, are undertaken as and when the need arises.

(f) *Management Consultancy Service*

50. The Committee are informed that the CSIO has commenced a news service—an integrated plant study-during the Third Five Year Plan. Under this programme, technical and management officers of the Small Industries Service Institutes visit a unit, study its technical and managerial problems together and make comprehensive recommendations for all round improvement of the efficiency of the unit. It is claimed that the service is in the nature of complete industrial management consultancy service. It is, however, still in an experimental stage.

(g) *Training*

51. It has been recognised that training to improve and upgrade the skills of workers and managerial personnel in the small scale

sector is as important as supply of adequate finance, technical assistance and similar other assistance programmes.

The training programme of the Central Small Industries Organisation commenced with Business Management Training Classes for small industrialists. The Small Scale Industries Board at its meeting in September, 1956 suggested that evening classes may be conducted in business management for the benefit of small industrialists and their supervisory personnel. These courses were initially started at the four Small Industries Service Institutes at Bombay, Calcutta, Delhi and Madras towards and the end of 1956 and beginning of 1957. The courses were later started in other States also. Simultaneously, as Extension Centres and workshops were established, facilities were utilised for imparting technical training to workers. At about the same time, at the request of the Ministry of Community Development training of Block Level Extension Officers (Industries) was also undertaken.

It has been stated that as the training programmes gradually developed and became popular, the syllabi, the duration, the method of training etc. for the various courses were standardised. This process is said to have been completed by about the commencement of the Third Five Year Plan.

52. The training courses now conducted by the Central Small Industries Organisation may broadly be classified as (1) Technical Training and (2) Management Courses.

Technical training is given to workers in small scale units who did not have an opportunity to have formal industrial training. It is now available in trades like machine shop practice, heat treatment, tool and die making, leather foot-wear and allied goods, tanning, electroplating, carpentry and furniture making, foundry shop practice, blacksmithy and forge shop practice, welding, turning and fitting, tool room practice, thermometer manufacture, glass blowing, blue-print reading etc.

Training in industrial management (originally called business management) is now offered through the following courses:

(i) Management appreciation course,

(ii) Specialised course in such subjects as production management, marketing and financial management and cost accounting, and

(iii) *Ad hoc* intensive courses on subjects like inspection and quality control work study, export marketing, etc.

The progress of the training programme during the Third Five Year Plan is indicated in the following table:

Courses	No. of persons trained during						Targets for 1965-66	III Plan average per year
	II Plan		1961-62	1962-63	1963-64	1964-65		
	Total	Average per year						
Technical . . .	3,155	631	1,391	2,051	2,600	2,898	3,510	2,490
Management . . .	3,635	727	1,438	1,265	1,569	1,930	2,155	1,671
TOTAL	6,790	1,358	2,829	3,316	4,169	4,828	5,665	4,161

(II) Drawbacks and Suggestions

(a) *Technical Assistance*

53. Commenting on the performance of the Small Industries Service Institute and Extension Centres, the International Perspective Planning Team had observed:

> "Unfortunately there has been and continues to be very great difficulty in securing and retaining adequate numbers of suitably qualified personnel, particularly those with practical industrial experience. Serious deficiencies in performance have resulted both from lack of technicians in certain fields, and from inability of many of the technicians to render the quality of advice required to make a real contribution to productivity."

The Team further emphasised that the quantum of services provided—number of visits to units, number of inquiries handled etc.—was not a proper measure of the effectiveness of either the Organisation or its individual officers. It suggested that "regular and uniform records of services provided are needed, but the emphasis should always be on quality rather than quantity of activity."

In this connection it may be mentioned that the Small Industries Service Institutes do not keep any record of the cases where new small scale units are actually set up on their advice. Explaining the position, the Ministry have stated:

> "Setting up of an industrial unit is a long drawn out process and it often takes about 12 to 24 months from the time the first advice was tendered to the time the unit takes shape.
>
> The Small Industries Service Institutes follow up the cases where their advice is slowly fructifying into a unit but as mentioned already in view of the long time-lag, some of the cases might be lost in the process or might not have come into record quickly enough. It is, therefore, difficult to furnish precise data State-wise and year-wise of new units set up on the advice of the Small Industries Service Institutes.
>
> The fact that a new enterprise was not started does not indicate that the advice rendered by the Institute has no practical utility. The advice of the Institute is only one of the necessary inputs for starting an enterprise and for the lack of others like finance, markets, raw material

or sustained interest of the entrepreneurs it may not result in an enterprise."

The Committee have noticed a fairly widespread feeling among small scale industrialists that the Small Industries Service Institutes are inadequately staffed, both as to quality and number, to cope with the varied requirements of small industries and render technical assistance of a high order. Some small scale industrialists have also represented to the Committee that they have not been getting any advice in regard to better use of raw materials from the Small Industries Service Institutes and that the Institutes are not doing much to improve designs of machinery.

There is a general demand that more persons having practical experience of industry and with suitable qualifications should be posted to the Small Industries Service Institutes and the Extension Centres. Other specific suggestions that have been made by representatives of small scale industries are that (a) the Small Industries Service Institutes and Extension Centres should not only give technical advice but also demonstrate how it is to be used and help the small scale unit in implementing it, and (b) record should be maintained by the field staff of the units visited and the follow up action taken.

The Committee need hardly stress the importance of ensuring that the Small Industries Service Institutes and Extension Centres are able to render quick and effective technical assistance to small scale units as ultimately the success or failure of the Industrial Extension Service of the C.S.I.O. will be judged by the degree to which such technical assistance has actually been helpful to the small scale units. They recognise that the Extension Service may need to be strengthened both in number and quality. But they feel that an accretion to the technical strength of the Institutes and Extension Centres cannot by itself produce the desired result—an efficient and effective technical service.

The Committee feel that what the C.S.I.O. and its field organisation need most is a sense of purpose and a desire and determination to produce concrete results. They are of the view that the present practice of measuring the achievements of the organisation and of individual officers purely in terms of the quantum of services rendered, *e.g.*, number of cases given technical advice, number of cases given advice to start new units, etc. is not helpful for producing solid results. The Committee therefore suggest that the Small Industries Service Institutes and Extension Centres should henceforth place

greater emphasis on quality rather than quantity of activity. The C.S.I.O. should ensure that regular and uniform records of services provided to, and the actual benefit derived by each small scale unit are maintained at each Institute and Extension Centre.

The Committee are unable to appreciate the Ministry's contention that it is difficult to keep a record of units set up on the advice of the Small Industries Service Institutes. They would like to point out in this connection, that besides giving advice to entrepreneurs to start new industries, the Small Industries Service Institutes are supposed to offer them a variety of other services, such as technical assistance, choosing appropriate designs and raw materials, assistance in obtaining loans from the State Banks, orders under the Government Purchase Programme, machinery on hire-purchase etc. Normally an entrepreneur who sets up a unit on the advice of the Small Industries Service Institute will also approach the Institute for any of these various types of services. The Committee, therefore, fail to understand why it should be so very difficult for the Small Industries Service Institutes to keep a record of cases where their advice actually fructifies in the establishment of a new small scale unit and its subsequent progress. The Committee recommend that such records should be maintained in future by each Small Industries Service Institute. They would like to add that such records besides enabling the Institutes to check on the effectiveness of their advice would also enable them to identify the difficulties faced by the entrepreneurs in setting up new units, and draw appropriate lessons for future guidance.

The Study Group of the Estimates Committee which visited the Small Industries Service Institute, Okhla where the Industrial Design Cell is located, were impressed by some of the designs reported to have been evolved by the Industrial Design Cell and which are in production. The Committee are, however, concerned to note that while the expenditure on the Industrial Design Cell has increased from Rs. 1,36,831 in 1961-62 to Rs. 1,79,472 in 1965-66, the number of designs implemented and prototypes manufactured have come down from 41 and 59 to 19 and 11, respectively. The Committee suggest that the working of the Cell should be reviewed at an early date with particular reference to its staffing position and appropriate measures taken to reorganise it so that its continuance is economically justified.

(b) *Need for Panels of Technical Experts*

54. The Estimates Committee (Second Lok Sabha), in their 77th Report, had commended for Governments' consideration a proposal

for forming panels of technical experts in various fields of industry to render guidance and assistance to the small industries on technical and other matters. The International Perspective Planning Team had also felt that, considering the limited experience of the staff at the Small Industries Service Institutes, it would be desirable to provide the Institutes with the assistance of "a corps of experienced part-time consultants recruited from Indian industry to extend technical assistance to small scale entrepreneurs.....Units assisted should share in the costs". The Fourth Plan Working Group on Small Scale Industries has also recognised the need of panels of consultants to strengthen the industrial extension service of the CSIO. The Group's observations in this regard are as follows:

> "Even with the strengthening of the staff envisaged above, we realize that it may not be possible for the extension workers to tackle successfully all the problems that are likely to be posed to them. On the other hand, the demand for certain services might be so infrequent that it might not be worthwhile to keep a full-time expert on the subject. There are also a number of specialists in the country working in Government, public sector and private sector undertakings who for a nominal fee would be willing to give the benefit of their experience. We suggest that both at the Centre and in the States, a panel of suitable consultants should be maintained for different trades. The honorarium to these consultants might be shared by the Government and the beneficiaries."

Explaining the action taken by the Government in pursuance of the recommendation relating to the formation of panels of technical experts to assist and guide small industries, made by the Estimates Committee (Second Lok Sabha), the representative of the Ministry had stated during evidence:

> "It was accepted by Government. We tried to give effect to it. Either we could not get the people or the terms on which they could be persuaded to do the work were much beyond our resources."

The Committee note that the experience of the Government in regard to the availability of technical consultants for forming panels to assist and guide small scale industrialists is not confirmed by the categorical statement of the Fourth Plan Working Group that "there are a number of specialists in the country working in Government, public sector and private sector undertakings who for a nominal fee

would be willing to give the benefit of their experience." The Committee feel that Government should make vigorous efforts to set up panels of consultants at the headquarters of the C.S.I.O. and at each of the Small Industries Service Institutes, on the lines suggested by the Estimates Committee in their 77th Report in 1960 and by the Fourth Plan Working Group.

(c) *Need to charge fees for special services*

55. The Industrial Perspective Planning Team had suggested that both technical and economic services that involved additional effort or research for the benefit of particular firms should progressively be made subject to fees "commensurate with the time spent and value of the services performed", though the fees "need not cover full cost, especially in localities where industry is less advanced". The Team emphasised that:

> "Imposition of fees is the best way to ascertain the true value of the services, to discriminate in favour of those who will actually use the help, and to winnow out personnel that are not performing adequately and programmes that are not in sufficient demand to justify their continuance."

The Fourth Plan Working Group on Small Scale Industries has pointed out that while on the one hand "there has been a complaint from the side of small industrialists about the inadequacy of the service" rendered by the Small Industries Service Institutes, on the other hand, "the extension workers feel that the technical advice is not implemented because it was rendered free". The Working Group has noted that "similar services are charged for in almost all the advanced countries". It has suggested that a beginning may be made in this direction in India also, and that, to start with, the following types of services might be charged a nominal fee:

1. Preparation of sketch schemes on the lines of model schemes at the request of parties.
2. Preparation of detailed working schemes with sketches, drawings, sequences of operations, specifications of machinery and other working details.
3. Preparation of specific manufacturing projects and rendering technical services in implementation of the project (This is more or less like collaboration with the unit for some time).
4. Design of jigs, fixtures, tools etc.

5. Making lay-out of factories and consultation in the matter of setting up of workshops, from time to time.

6. Exclusive use of designs prepared by the industrial Design Cell.

7. Integrated plant study of the unit (Management Consultancy Service).

8. Specialised economic information requiring region-wise or All-India enquiry.

9. Distribution Aid Surveys carried out for a particular manufacturer.

The Working Group has added that in the beginning these services might be charged in metropolitan and urban areas (say towns with a population exceeding 5 lakhs). It might be later extended to other areas.

From their discussions with representatives of small scale industries the Committee have got the impression that by and large the small entrepreneurs are quite willing to pay moderate fees for the services rendered by the Small Industries Service Institutes provided such services are really worthwhile and effective.

56. The Committee have been informed that the Small Industries Service Institutes have not yet started charging any fees for the special services rendered by them to individual small scale units. Commenting on the suggestions and observations made in this behalf by the International Perspective Planning Team, the representative of the Ministry has stated during evidence:

> "We have not yet started charging any fee. We are thinking about it and having internal discussions on this matter and, by and large, we feel it is too early yet to levy any such fee. Even so, in two to three years we thought we could make a beginning by levying a fee and find out how it works. While it might be true to say that the value of any service rendered can be measured by the fee that might be charged, our small industries are yet not ready to pay these fees."

> "But even so, as I said, we want to make a start, particularly, in the metropolitan towns where development has taken place like Calcutta, Bombay, Madras and Bangalore to start with by charging a fee particularly in respect of market surveys which might be made for a particular project."

The Committee are in agreement with the view of the International Perspective Planning Team that the imposition of fees is the best way (a) to ascertain the value of the services rendered to small scale units by the Small Industries Service Institutes and Extensions Centres, (b) to discriminate in favour of those who will actually use the assistance rendered, (c) to assess the usefulness of the various programmes and (d) to judge the performance of the extension personnel. They would like to stress that the present practice of extending *ex gratia* technical advice and assistance to thousands of units all over the country involves tremendous effort and public resources, which in many cases may turn out to be infructuous. As pointed out by the Fourth Plan. Working Group on Small Scale Industries, the advice or assistance is often not taken seriously because it is rendered free. The Committee, therefore, urge that the C.S.I.O. should work out and introduce at an early date a system of charging moderate fees for the special services, both technical and economic, rendered to small scale units by the Small Industries Service Institutes and Extension Centres. To begin with, this system may be restricted to the metropolitan areas and other regions where small scale industries are already fairly developed and where it would be permissible to presume that there is, at least, some genuine appreciation of the services rendered by the Institutes and Extension Centres; as small scale industry develops in other areas the system should be extended to them also.

(*d*) *Surveys*

57. The Organisational Committee (1962) had recommended that area surveys should be undertaken by the State Directorates of Industries and that the All India Industry Surveys, Industry Prospect Sheets, and Economic Information Service should remain the responsibility of the C.S.I.O. The Committee have been informed that most State Governments have not yet established economic research cells to undertake area surveys. The present position, therefore, is that the Small Industries Service Institutes continue to take up area studies, but only an explicit requests from the State Governments.

The Committee feel that area surveys should be undertaken by the States except when the area covers more than one State in which case the survey should, of course, be conducted by the C.S.I.O. The C.S.I.O. may on its own, and should, in the opinion of the Committee, undertake area studies of the backward regions to analyse their problems and potentialities and suggest ways and means of accelerating the growth of small scale industries in such areas. But the

C.S.I.O. should make it known to the States that in future they would have to undertake themselves local area surveys to meet their requirements.

(e) *Model Schemes and Publicity*

58. Associations of small scale industries in many parts of the country have represented to the Committee that "the 'model schemes' supplied by the Small Industries Service Institutes to the entrepreneurs are very often outdated, impracticable or based on unrealistic estimates". Representatives of small scale industries at one place have suggested that "if the Institutes are not equipped to undertake this kind of work they should get it done through private organisations which are well-equipped for the purpose. Others have gone to the extent of saying that "the publication of such schemes should be withdrawn because they give a misleading picture to the prospective entrepreneurs."

It has been recognised during official evidence that there is some substance in the criticism of the model schemes. Explaining the position the representative of the Ministry has stated during evidence that:

> "It is true that these schemes got out-of-date. What we had prepared in 1956 or 1957 are no longer applicable today because developments have taken place. The C.S.I.O. is constantly bringing them uptodate, and keeping in touch with the developments that are taking place, new schemes are brought out. On the score of their being impractical, may be some schemes had not taken into account the realities of any particular situation. But this again is put right by our officers coming into touch with the industrialists themselves, understanding their practical problems and then revising the schemes to suit the actual requirements. But I must say that these schemes should not be taken as full-fledged project reports. They are in the form of guides, the responsibility for scrutinizing them still rests with the small industrialists".

Asked whether it is clearly stated in the model schemes that, irrespective of what might be stated in the scheme, the entrepreneur should consult the Small Industries Service Institutes before starting a unit on the basis of the scheme, the representative of the Ministry has said, "We are saying this clearly in all our new brochures."

The Committee are distressed to note that the 'model schemes' have been prepared and published by the Small Industries Service

Institutes without keeping in view their practicability and usefulness to the entrepreneurs in the area concerned. The Committee also note the steep fall in the number of model schemes prepared annually (from 543 in 1961-62 to 327 in 1962-63 to 237 in 1963-64), which, considering the admitted failings of these schemes, presumably reflects a decline in their popularity.

The Committee would like the greatest care to be taken in the preparation of the model schemes to ensure that they give the entrepreneurs correct information on all essential points like requirements of land, building and machinery, cost of production and estimated returns, availability of raw materials and machinery required, etc. The entrepreneurs should be clearly advised to contact the Small Industries Service Institute for details and any assistance they may need for implementing the scheme. The Committee suggest that Government may critically review the working of the model schemes prepared by the Small Industries Service Institutes with a view to eliminate those which are impracticable and to bring the rest up-to-date as well as to lay down guidelines for the preparation of model schemes in future so that they may be of greater practical use to the entrepreneurs.

The Committee note that the number of technical bulletins issued by the Small Industries Service Institutes has been on the decrease. It has been represented to them that the knowledge about the assistance rendered to small scale industries by various Government agencies is generally limited to the metropolitan and immediately surrounding areas and that units in the interior regions do not have full knowledge about such assistance.

The Committee feel that knowledge about the scope and potentialities of small scale industries and the facilities available for the development of such industries from Governmental organisations, including the Small Industries Service Institutes, should be given wide publicity so that people, who have the requisite means and talents, may feel attracted to set up small industries. They would like to suggest that the Small Industries Service Institutes should, with the active collaboration of the respective State Directorates of Industries, make concerted efforts to provide effective publicity in regard to small scale industries and the facilities available for setting up and running such industries, through pamphlets, technical bulletins, audio-visual means, exhibitions, etc.

(f) *Need for coordination between the C.S.I.O. and the C.S.I.R.*

59. The Committee have been informed that the Council of Scientific and Industrial Research has been helping the small scale

industries and the Small Industries Service Institutes by suggesting technical solutions to some of their problems and advising them in their difficulties. The Council has set up a Technical Information and Liaison Cell for Small Industries at its Headquarters at New Delhi with the object of providing technical guidance and help in solving the problems of small scale industries and organising follow up of schemes taken up on behalf of such industries by the Laboratories of the Council.

It has been stated that in order to render systematic assistance to small scale industries in a more effective and comprehensive manner, the Council of Scientific and Industrial Research held meetings with the Planning Commission, Ministry of Industry and the Development Commissioner, Small Scale Industries. The main conclusions emerging from these discussions have been set out in a note furnished to the Committee as follows:—

1. "There is a need for organisational collaboration between the CSIR and the small industries so that the assistance by the CSIR could make an impact on the small scale industries development.

2. Help to small industries should be considered a continuous process and to achieve this it would be advisable to constitute a Joint Committee of CSIR, Ministry of Industry, Planning Commission and Federation of the Chambers of Small Scale Industries, which would meet periodically and review the progress.

3. The Development Commissioner, Small Scale Industries would take steps to collect the various problems faced by small industries by sending round circular to the Directors of the S.I.S.I. These could then be sorted out and only technical problems passed on to CSIR, who could farm them out to their laboratories, fix time targets and organise direct contact between the small industries and the laboratories concerned.

4. CSIR, will supply to Development Commissioner, Small Scale Industries, a list of processes worked out by National Laboratories which could be of use to small industries.

5. To maintain a closer contact with small industries, CSIR, also may include in their programme visits to industrial estates, small industries and S.I.S.I. and acquaint themselves with their problems.

60. The Council have indicated that the types of assistance which they can render to small scale industries are broadly as follows:—

(i) Preparing schedule of charges for testing and analysis facilities in CSIR Laboratories.

(ii) Compilation work of information pertaining to substitution of imported raw materials.

(iii) Information pertaining to specialised equipment and machineries available in the national laboratories.

(iv) Utilisation of Agricultural and Industrial wastes.

(v) Preparation of project reports on the research work done in the CSIR of use to small scale industries.

(vi) The Development Commissioner, Small Scale Industries will provide CSIR an account of the testing facilities already available with the SISI, in different States of the country in the fields of industry so that the matter of routine testing could be referred to them when received from the industries by CSIR.

(vii) SISI may be helped to avail the research facilities, experts advice, use of specialised equipment and machinery and library etc. if and when they depute their staff to the laboratory.

61. The Committee have been informed that in fulfilment of the role envisaged for it, the Council of Scientific and Industrial Research has taken the following action so far:—

(a) Most of the enquiries received by CSIR from small scale industries are disposed of with the available information with the Research Coordination Industrial Liaison and Extension Unit of CSIR.

(b) Other enquiries are passed on to the concerned laboratories for direct disposal under intimation to the above unit. Follow-up is being maintained for each enquiry.

(c) A schedule of charges for testing and analysis etc. from the National Laboratories was compiled and a copy was sent to each of the Directors of S.I.S.I., with a copy to the Development Commissioner, Small Scale Industries.

(d) A quarterly forum (Information News Letter) has been specially designed to cater to the needs of the small industries with the information available with CSIR and the

progress of various Schemes. This News Letter is being sent to all the S.I.S.I., all the member Industries of the Federation of Chambers of Small Scale Industries and others, concerned.

(e) Information on substitution of imported material with indigenous, work done by national laboratories has been compiled and is being published regularly in the News Letter.

(f) A number of publications of interest to small scale industries are issued by Small Industries Service Institutes.

62. A statement showing details of the enquiries received by the C.S.I.R. from various Small Industries Service Institutes and industrial units is reproduced in Appendix VI.

Asked for his opinion regarding the assistance rendered to small scale industries by the Council of Scientific and Industrial Research, the representative of the Ministry has stated during evidence that "CSIR is concerned so much with research work, but it is not possible to say that its activity is directly oriented towards small industries. They are very much concerned with more basic issues. In our case, the research should be practical oriented. Whatever problems small industrial units have met with must be tackled. But the C.S.I.R. won't tackle them."

The Committee have also been informed during evidence that Government are considering a proposal made by the Fourth Plan Working Group on Small Scale Industries, for establishing a Small Industry Technical Information and Communication Institute. Preliminary work in this regard has already been done and Government "expect to make a small beginning during 1966-67". The main functions of the Institute would be to investigate, and find solutions to, the technical problems posed by the small scale units and to collect and disseminate technological information of use to small scale industries. The Institute would have two wings—one for Documentation and one for Intermediate Technology. As per the proposal of the Working Group, the establishment and operation of the new Institute would entail a non-recurring expenditure of Rs. 31·60 lakhs and a recurring expenditure of Rs. 4·57 lakhs.

The Committee note that the various facilities for scientific research and investigation available with the National Laboratories, which have been set up at considerable expenditure, have been made available also to the small scale industries They feel that as, by and

large, the big enterprises can afford to have their own research facilities or acquire foreign know-how, the small scale industries/ C.S.I.O. should make fuller use of these facilities.

The Committee urge that the Government should secure greater organisational collaboration between the C.S.I.O. and the C.S.I.R. so that the resources of men and material available with the two organisations are used, systematically and effectively, to deal with the technical problems of small scale industries.

In view of the present financial stringency, the Committee feel that Government should critically examine how far the needs of small scale industries can be met by the facilities available with the C.S.I.R./National Laboratories, and, if found necessary, make a modest beginning for setting up a separate Institute of intermediate technology for research on the technical problems of small scale industries.

V. CONCLUSION

63. Small Scale Industries have been assigned a very important role in both the Industrial Policy Resolutions of 1948 and 1956 and the Five Year Plans. These industries are best suited:

(i) to create greater, quicker and better employment potentialities even for comparatively less skilled persons at a relatively small capital investment;

(ii) to meet a substantial part of the increased demand for consumer goods and simple producers' goods;

(iii) to facilitate mobilisation of resources of capital and skill which might otherwise remain inadequately utilised;

(iv) to bring about integration of the development of small scale industries with the rural economy on the one hand and large scale industry on the other;

(v) to encourage a gradual progress in the techniques of production in the unorganised sector of industry without causing large-scale technological unemployment;

(vi) to help in the Plan policy of having a decentralised economy and preventing concentration of wealth and productive forces in a few hands and thus to bring down the disparity of incomes between the rich and the poor; and

(vii) to ensure a more equitable distribution of the national income and a balanced industrial development in different regions, *i.e.*, to lay down the basis for an essentially decentralised society.

In view of all these, the Government took up the policy of promoting small scale and rural industries and made separate Plan allocations for this sector. In pursuance of that policy, the Government set up the Central Small Industries Organisation to function as the apex body for the promotion and coordination of the small scale industries.

The Committee are glad to note that since the setting up of C.S.I.O. in 1954, there has been significant progress in the growth of small scale industries in the country which have established a broadbase of operations for manufacturing a wide variety of goods. The C.S.I.O. with its network of Small Industries Service Institutes and Extension Centres has been instrumental in creating a climate for the growth of the small scale industries. One of its purposes was to provide technical advisory service to the new as well as established small scale enterprises and to conduct training courses for the small entrepreneurs and

the artisans. The Small Industries Service Institutes and Extension Centres make available workshop and laboratory facilities to the small scale units in their area. Through the industrial estates which have been set up in various parts of the country, the small scale industries have been provided with facilities of worksheds, power, water and transport and other external economies for their development like common service centres, introduction of modern techniques etc.

The Small Scale Industries have made a notable contribution in meeting the problem of unemployment and in augmenting the national income. As against Rs. 990 crores estimated to have been contributed to the national income by large scale industries in 1960-61, the contribution of small scale industries is stated to be Rs. 1450 crores. Similarly the small scale industries are estimated to have provided employment to about 23.30 lakh persons (including 10 lakh in non-registered non-household small units) as against about 21.70 lakh persons, employed by large scale sector.

The Committee, however, regret that this sector has not received the attention and consideration justified by the policy statement of the Government or even justified by its performance and contribution to the national economy.

The Committee have further noted some disquieting features in the implementation of various programmes for the development of small scale industries. For instance, the Common Production Programme has not been vigorously pursued during the Third Five Year Plan; the progress in the development of ancillaries has been admittedly slow and almost negligible. Moreover, there are great disparities among the various States in the levels of financial assistance for, and the actual development of, small scale industries and industrial estates.

The Committee are unable to appreciate the plea that these deficiencies in the implementation of the small scale industries programmes are due to the fact that the development of small scale industries and the implementation of the various specific small scale industries programmes are the responsibility of the State Governments. The Committee consider that once the national plan, envisaging certain financial and physical targets for the various States, has been approved—apparently with the consent of the concerned States, the States are expected to adhere to them. It is the responsibility of the central coordinating agency(in this case, the C.S.I.O.) to take timely corrective action with the States concerned in the case of their failure to achieve planned targets or deviation from approved programme. The Committee feel that the C.S.I.O. should take a more positive view of its responsibilities as the principal central agency for the develop-

ment of small scale industries. The organisation should undertake periodical evaluation of the various programmes and policies of Government of India for the development of small scale industries and take steps, whenever found necessary, to suitably modify them from time to time, in consultation with the concerned States. It should see that the programmes are realistic and practical and are in fact implemented by the States.

The Committee would also like to urge that the State-wise Plan outlays and targets for the small scale sector as well as the allocation of central assistance to the States should be determined on a sound appraisal of the needs as well as the potentialities of each State and with due regard to the objectives of bringing up the less developed States to the level of the rest.

The Committee consider it necessary to guard against a situation where the C.S.I.O. finds itself unable to implement agreed policies and objectives for lack of adequate powers. They suggest the appointment of an *ad hoc* committee by the Small Scale Industries Board to examine whether the existing powers of the C.S.I.O. "have been fully and properly utilised and" are adequate to enable it to secure the necessary coordination for the development of small scale industries, and make suitable recommendations.

The Committee are concerned to note that a large number of officers and staff in the C.S.I.O. are engaged in purely administrative work. They are convinced that the existence of such a high proportion of non-technical elements is neither necessary nor conducive to the efficiency of an organisation which is primarily meant to render technical assistance and expert guidance to small scale industries. The Committee feel that the Central Small Industries Organisation should be a compact body of technically competent leaders who have first-hand experience of problems facing the small scale industries and can be of concrete assistance to the small entrepreneurs in resolving their problems. The top officials should be selected with great care so as to ensure that they are technically and emotionally fully qualified to help the development of a weaker sector of our economy.

The Committee would like to stress the importance of small scale industries in the implementation of our economic policy of "large expansion of employment opportunities and reduction of inequalities in income and wealth and a more even distribution of economic power," and "to establish progressively greater equality of opportunities".

The Committee have also to recognise the notable contribution of the small scale sector to the creation of employment opportunities, augmentation of industrial production. So they would urge that the healthy growth of this sector is crucial for accelerating the industrial

and economic progress of the country and for providing a broader and economically and socially more justifiable industrial base. It is necessary that urgent attention should be given to the supply of scarce raw materials on an equitable basis and provision of credit facilities to the small scale sector as also to implement the common production programme. Positive efforts should be made to diversify production in the small scale sector and encourage the development and the use of indigenous substitutes for imported items and thereby reduce its dependence on scarce raw materials, and also to enable the sector to play a significant part in the supply of defence requirements, and various agricultural inputs required for augmenting food production and in the manufacture of commodities helpful for earning and conserving foreign exchange.

The Committee have mentioned the various shortcomings and defects in the working of the C.S.I.O. and hope the Government will take effective remedial steps so that the C.S.I.O. can function as a real guide and friend of the small scale industries—whose importance in our national economy has been accepted by the Government.

The Committee suggest that the various forms of assistance now made available to small scale industries under the Central and State programmes should be utilised in such a manner as to give preference and priority to the needs of industries which cater to higher national priorities, *viz.*, industries falling under one or the other of the following categories:

(1) Defence requirements.

(2) Industries directly concerned with the development of agriculture such as improved agricultural implements, pesticides etc.

(3) Export-oriented industries.

(4) Import substitution industries.

(5) Units producing components, etc., required in certain vital sectors like Railways, Transport and Power.

(6) Industries for processing agricultural and forest products and other industries not requiring use of scarce raw materials.

(7) Producer goods and essential consumer goods industries.

NEW DELHI;
April 21, 1966.
Vaisakha 1, 1888 (*Saka*)

ARUN CHANDRA GUHA,
Chairman,
Estimates Committee

APPENDIX I

(*Vide* Para 33)

TABLE—1

Third Five Year Plan Outlay on Industrial Estates:

The figure of Rs. 30.2 crores represents the original total Outlay for Industrial Estates programme for the III Five Year Plan. Some of the State Govts. subsequently revised their outlays and the total of the revised outlay comes to Rs. 28.24 crores. The Statewise break up of the Original and revised outlay is given below:

(Rs. in lakhs)

Name of the State	Original outlay	Revised outay
Andhra Pradesh	220·00	220·00
Assam	65·00	65·00
Bihar	200·00	204·74
Gujarat	110·00	100·00
Kerala	125·00	125·00
Madhya Pradesh	190·00	200·33
Madras	428·00	320·00
Maharashtra	270·00	220·00
Mysore	120·00	120·00
Orissa	141·00	135·22
Punjab	245·00	245·00
Rajasthan	157·00	157·00
Uttar Pradesh	383·33	375·00
West Bengal	170·00	162·32
Jammu & Kashmir	103·24	100·24
TOTAL	2927·90	2749·85

Name of State	Original outlay	Revised outlay
Union Territories		
Andaman & Nicobar Island	..	..
Delhi	62·36	62·36
Himachal Pradesh	10·00	10·00
Laccadiv & Minicoy Islands	..	..
Manipur	..	N.A.
Tripura	7·00	7·00
NEFA	..	..
N. H. T. A.	..	..
Pondicherry	13·50	13·50
	92·86	92·86
GRAND TOTAL STATES & UNION TERRITORIES	3020·76	2824·71

TABLE 2

Actual/Anticipated Expenditure on Industrial Estates during the Third Plan Period.

(Rs. in lakhs)

Name of the State	Outlay for III Plan	1961-62 actuals	1962-63 actuals	1963-64 actuals	1964-65 Anticipated	1965-66 Anticipated	Total	Shortfall
1	2	3	4	5	6	7	8	9
Andhra Pradesh	220·00	61·00	31·55	47·93	61·98	14·22	216·68	—3·22
Assam	65·00	2·48	2·50	9·70	10·00	29·50	54·18	—10·82
Bihar	204·74	8·16	14·42	4·02	43·93	52·60	123·13	—81·61
Gujarat	100·00	10·98	4·03	4·08	15·14	28·00	62·23	—37·77
Jammu & Kashmir	100·24	24·36	17·23	5·18	17·50		64·27	—35·97
Kerala	125·00	13·09	13·33	18·97	30·01	54·10	129·50	+4·50
Maharashtra	220·00	5·08	30·35	15·34	46·00	74·61	171·38	—48·62
Mysore	120·00	12·61	9·15	11·64	19·00	22·90	75·30	—44·70
Madras	320·00	41·50	105·90	173·71	145·53	91·33	557·97	+237·97
Madhya Pradesh	200·33	22·76	23·37	31·71	56·62	37·06	171·52	—28·81
Orissa	135·22	21·11	15·38	32·22	36·01	23·23	127·95	—7·27
Punjab	245·00	18·24	31·19	40·60	72·08	50·80	212·91	—32·09

1	2	3	4	5	6	7	8	9
Rajasthan	157·00	29·19	24·93	5·10	3·70	1·76	64·68	—92·32
Uttar Pradesh . . .	375·00	16·17	52·83	92·94	113·87	35·31	310·12	—64·88
West Bengal . . .	162·32	47·55	8·27	4·32	14·31	5·61	80·06	—82·26
TOTAL .	2749·85	338·28	384·43	497·46	685·68	521·03	2421·88	
Union Territories								
Delhi	62·36	2·62	18·39	19·44	14·62	18·68	73·75	+11·39
Himachal Pradesh . .	10·00	..	..		4·13	12·00	16·13	+6·13
Manipur . . .	NA.		..	..	..	4·50	4·50	
Pondicherry . . .	13·50	..		..				—13·50
Tripura . . .	7·00	0·03	1·58	0·88	0·55	2·07	5·11	—1·89
TOTAL FOR U.T. .	92·86	2·65	19·97	20·32	19·30	37·25	99·49	
GRAND TOTAL .	2824·71	335·93	403·40	517·78	704·98	558·28	2521·37	

— Shortfall
+ Excess

APPENDIX II

(*Vide* Para 12)

Statement showing the Classification of Industrial Estates

Date	Estates completed	Estates functioning	% age of 3 to 2	Estates not functioning	% age of 5 to 2	Sheds completed in all states	Sheds allotted	%age of 8 to 7	Sheds occupied	% age of 10 to 8	Sheds Working	% age of 12 to 10	Employment	Production
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
31-12-62														
(U)	65	53·5	81·5	12	18·5	2670	2390	89·5	2120	88·2	1599	75·4	20340	9,05,46,828
(SU)	30	20	66·7	10	33·3	579	461	79·6	377	81·7	245	64·9	2693	61,33,037
(R)	10	7	70·0	3	30·0	171	139	81·2	110	79·2	87	79·0	1336	37,28,148
	105	80	76·2	25	23·8	3420	2990	87·4	2607	87·2	1931	74·0	24369	10,14,08,013
30-6-63														
(U)	67	55	82·1	12	17·9	2672	2432	88·0	2221	91·3	1788	80·5	23082	11,92,91,562
(SU)	35	21	60·0	14	40·0	638	485	76·0	47	85·7	273	65·6	2383	1,03,48,846
(R)	13	8	61·5	5	38·5	219	148	67·6	135	91·2	98	72·5	1430	42,59,727
	115	84	73·0	31	27·0	3619	3065	84·6	2772	90·4	2159	77·9	26895	13,99,00,135
31-12-63														
(U)	75	64	85·3	11	14·7	2890	2637	91·1	2494	94·5	1947	78·0	24998	12,45,54,742
(SU)	45	26	57·8	19	42·2	733	538	73·3	439	81·5	289	65·8	2628	85,83,149
(R)	21	10	47·6	11	52·4	268	175	65·2	143	81·7	115	80·4	1558	76,12,000
	141	100	70·9	41	29·1	3891	3350	86·0	3076	91·8	2351	76·4	29184	14,07,49,891

(Revised figures)

APPENDIX III

(*Vide* Para 13)

TABLE I

Number of Plots to be developed in various States

Punjab	Hoshiarpur	. 53 plots (1961) +20 with factory sheds	
Uttar Pradesh	Jaunpur	. 54 plots (111 schemes in November, 1961)	
	Barabanki	. 91 plots	
	Faizabad	. 43 plots	
	Rampur	. 37 plots	Ultimately and 10 in Phase I.
	Shahjahanpur	. 83 plots	
	Lakhimpur Kheri	. 39 plots	
	Muzaffarnagar	. 39 plots	
	Ferozabad	. 74 plots	
	Hathras	. 78 plots	
	Mathura	34 plots	
	Manipur	. 76 plots	Ultimate and Phase I—40
Bihar	Adityapur	350 plots	Ultimate & Phase 1150 (Dec. 1963)
	Patna	340 plots	Ultimate and phase I—1 × 70 (March 64)
Madhya Pradesh	Bhillai	. 89 plots	Ultimate Phase I—12 (January, 1965)

TABLE 2

Number of developed plots allotted and occupied

State & name of Industrial Estates	No. of plots proposed to be developed.	No. of plots allotted		No. of plots occupied	Remarks
1	2	3		4	5
PUNJAB					
1. Hoshiarpur	500 sq. Yds. . 28	2	(Allotted to one party)	2	No further applications received from the entrepreneurs for allotment. 3 plots are reserved for installation of Electric Sub-Station and setting up of Wood Seasoning Plant.
	1,000 Sq. Yds. . 21	..		.	
	2,000 Sq. Yds. . 4	3		.	
	53	5		2	
BIHAR					
1. Industrial Area, Patna . .	340 plots ultimately & phase I-170.	7			3 allottees have started construction work. Construction of roads is in progress. The work is likely to be completed by March next. Water Supply & Construction of Sewage work is also under progress and likely to be completed before the next monsoon. A large number of applications are under consideration.

1	2	3	4	5
2. Adityapur	. 350 plots ultimate & phase I-150	37 till date allotted.	1	State Government are carrying out development works. M/s. Pioneer Engg. Co. have already completed construction and are running their business. 4 other units are also constructing their sheds, the remaining allottee are also taking preliminary steps to go ahead with their projects.
3. UTTAR PRADESH				
1. Jaunpur .	. 54 plots	.	.	This is no more a developed site Estate and has been changed into a Rural Industrial Estate. It is under construction.
2. Barabanki	. 91 plots	9		So far none has been occupied by any entrepreneur.
3. Faizabad	43 plots	.	.	In this estate no allotment has so far been made as the land is still being developed.
4. Rampur	37 plots ultimately and 10 in phase-I.	.	.	None occupied so far, land still being developed.
5. Shahjahanpur .	. 83 plots	.	.	So far no allotment has been made in this estate. The development of plots, internal drainage culverts and feeder roads are under construction.
6. Lakhimpur-Kheri	. 39 plots	6	.	None occupied so far. Land is still being developed.

7. Muzaffarnagar . . .	39 plots	20	None occupied so far.
8. Hathras	78 plots	3	None occupied so far. Land development is still in progress.
9. Mathura . . .	34 plots		Land is still to be acquired. Notification for acquisition of land has since been made by the Government.
10. Mainpuri . . .	76 Plots Ultimate & phase I	..	The land which was acquired for this estate is in dispute. A writ petition in the High Court Allahabad is pending decision.
11. Ferozabad . . .	74 plots	..	The construction work is going on. This is in preliminary stage.
4. MADHYA PRADESH			
Bhillai	. 89 plots Ultimate & phase I-12		The scheme is still in preliminary stages.

APPENDIX IV

(*vide* Para 21)

Composition of the Standing Committee on Ancillaries.

The following is the composition of the Standing Committee on ancillaries :—

1. Shri P. B. Advani, ... Chairman
"Oceana", Marine Drive, Bombay.
2. Shri A. R. Bhatt, ... Member
President, FASII, 256, Sadashive Peth, Poona-2.
3. Shri S. M. Patil, ... Member
Managing Director, Hindustan Machine Tools Ltd., Jallahalli, P.O. Bangalore.
4. Shri Pran Lal Patel, ... Member
President, All India Automobile & Ancillary Industries Association, 87, Veer Nariman Road Bombay-11.
5. Shri H. P. Nanda, ... Member
President, Escorts Ltd., Connaught Circus, New Delhi.
6. Shri T. R. Gupta, ... Member
Heavy Engineering Corporation, Ranchi.
7. Shri J. V. Shah, ... Member
Chief Engineer, Burmah Shell Oil Co., P.O. Box No. 688, Bombay.
8. Shri P. R. Deshpande, ... Member
Managing Director, Cromption Parkinson Electrical Engineers & Manufacturers, P.B. No. 6563, Haines Road, Worly, Bombay-18.
9. Shri Asoka Mitra, ... Member
Additional Secretary, Planning Commission, New Delhi.
10. Shri M. M. Vadi, ... Member
Industrial Adviser, D.G.T.D., New Delhi.
11. Director of Indistries, Government of West Bengal, Calcutta. Member
12. Snri K. L. Nanjappa, ... Member
Director, N.S.I.C., New Delhi.
13. Shri S. V. S. Sharma, ... Member
Director, Office of the DC (SSI), New Delhi.
14. Shri J. M. Shrivastava, ... Member Secy.
Director (Ancillary) Office of the DC (SSI), New Delhi.

APPENDIX V

(*Vide* Para 33)

Suggestions of the Working Group on Small Scale Industries (Fourth Plan) for the development of Ancillary Industries

(1) Apart from the few ancillary units registered with the CSIO, there are a large number of small units supplying parts/components to large scale units and public sector undertakings. These units are of the nature of jobbing shops and undertake production according to contracts received. They may not often have a manufacturing programme of their own even for these components because they depend on the orders they receive. Comprehensive data on the extent of this activity and the problems faced by those units is not available. We suggest that special surveys might be undertaken to study the position regularly especially in cities like Calcutta, Bombay, Madras, Delhi etc.

(2) While we have various instances of large scale units, in other countries, fostering the development of ancillaries in their own interest, the pattern of industrial development in this country has been such that a large scale unit would like to produce all components/parts required under its own roof. This had a historical justification since there were no reliable ancillaries for a long time. The present high prices prevailing in the sheltered domestic market and the consequent high profitability continue to induce large scale units to produce all parts/components required by them. However, as the scale of production increases and small scale units specialising in parts requiring as high degree of technical skill come into the market (as they are coming) it will be found that an individual manufacturer will be at a disadvantage in manufacturing the limited number of parts/components required by him. Therefore, in their own interest, large scale units will have to resort to such small scale units for procuring their requirements. As cost consciousness develops, this process can be expected to take place but steps should be taken to hasten it. Small scale units have now proved their ability to produce parts/components to required specifications at reasonable cost within required time. The necessary climate having thus been created, it is for large scale units to take advantage of these facilities available. We, therefore, suggest that the Federation of Associations of Indian Chambers of Commerce and Industry and similar other associations

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should take special steps to foster this ancillary relationship between their member firms.

(3) Small scale ancillary units are often at a disadvantage in obtaining raw material of the required specification. We suggest that Raw Material Depots should supply their requirements on a priority basis. After about a year or so, the amount of raw materials so issued can be analysed to assess the volume of parts/components supplied by the ancillary units so that suitable deductions can be made in the entitlements of corresponding large scale units. The idea is that large scale units buying their components/parts from small scale units should not also get raw material for producing the same parts/components.

(4) The representatives of the CSIO should be associated with the licensing of large scale units more closely from the time of the receipt of the application so that the applications might be scrutinised from the ancillaries point of view. Such components/parts which could be made in the small scale sector should not be licensed and it should be the responsibility of the large scale units to locate ancillaries. However, the CSIO should help the small scale units so selected by rendering technical and managerial assistance of the required degree.

(5) The CSIO should prepare lists of standard parts/components that could be made in ancillary units. Those lists should be made available to all Government Departments for use while preparing project reports of large scale public sector undertakings. The lists should also be made available to the DGTD and the members of the Licensing Committee. The lists may also be given wider publicity so that prospective entrepreneurs in the large scale sector might plan their projects suitably. It is, however, to be appreciated that these lists could only be illustrative.

(6) Before an application for licence is placed before the Licensing Committee, the DGTD and CSIO should in each case agree on the items to be farmed out to ancillaries. The agreed list should be placed before the Licensing Committee for suitable endorsement in the licence.

(7) A copy of the application for licence which is now endorsed to the Director of Industries of the concerned State should also be endorsed to the Director, SISI of the State so that he might also examine it from the point of view of ancillaries and suggest the names of suitable ancillaries for parts/components. This list may be placed before the Licensing Committee when the applications come up for consideration.

(8) We suggest that the D.G.T.D. might publish quarterly a bulletin containing details about the capacities available in the small scale sector for manufacture of various components/parts, sub-assemblies required by large scale units registered with them, as also details of the work that those large scale units are willing to sub-contract. This bulletin will, thus, bring together prospective large scale and small scale units and stimulate their ancillary relationship.

(9) The DGS&D while considering tenders for all group II items *i.e.* those which could be made only in the large scale sector but provide an opportunity to sub-contract to small scale units should specifically invite information about the ancillaries to which the work will be farmed out and give a preference on this basis. Tenderers who previously supplied to the DGS&D might also be evaluated and rated according to the use they made of ancillaries.

(10) Some private sector undertakings established industrial Estates to house their ancillary units. While the bulk of the production of these units might be supplied to the concerned large scale unit, we suggest that these ancillary units should be free to supply to the replacement market and also other large scale buyers. They should also have an option to produce parts other than those required by the concerned large scale unit.

(11) In the case of large scale units proposed to be established in the public sector, the scope to develop ancillary should be considered even while preparing the project report. The project report should contain definite recommendations regarding establishment of an ancillary industrial estate. The CSIO should be associated in preparing these project reports to the extent necessary.

(12) Where a public sector project proposes to have an ancillary industrial estate, at least 50 per cent of the cost of the estate may be given to the project company as a long term loan. Alternatively, the concerned State Government should establish a traditional or co-operative industrial estate in the vicinity of such project in consultation with the project authorities, for the development of ancillaries.

(13) Regional Committees of the Standing Committee on Ancillaries might be established in all States. They should continue to draw list of parts/components required by large scale units in the areas and SISIs should try to locate units capable of manufacturing them. They should also give special attention to the technical and managerial aspects of the selected small scale units.

(14) The Standing Committee on Ancillaries should be further strengthened with the addition of representatives of small scale industries. The Regional Committees of the Standing Committee should also co-opt representatives of small industries.

(15) Now that the necessary climate has been created for the development of ancillaries, we feel that Chambers of Commerce and similar other associations should take the lead in bringing together the large scale and small scale units to further foster their ancillary relationship.

APPENDIX VI

(*Vide* Para 62)

Enquiries received by CSIR from Small Industries Service Institutes and Industrial lines etc. till November, 1965

S. No.	Party referring the problem	Nature of enquiry	Action taken
1	2	3	4
1	Shri Rajinder Prakash, 66, Bhogal Road, Jangpura, New Delhi-14.	Details of a scheme for starting production of potassium permanganate in the small scale sector.	Referred to the Small Industries Service Institute, New Delhi.
2	SISI, Jaipur . . .	Detailed particulars on the manufacture of silica gel from sodium silicate.	Referred to Regional Research Laboratory, Hyderabad and details supplied.
3	SISI, Bangalore	Scheme for manufacture of Manganous Sulphate.	Referred to Central Salt & Marine-Chemicals Research Instt., Bhave nagar-2. A note was sent by the Institute.
4	SISI, Trichur, Kerala . .	(*a*) How to reduce the retting time of coir fibre. (*b*) How to do better dyeing of coir fibre.	A booklet on 'coir' was sent by the Central Office.
5	SISI, Okhla .	Technical details regarding manufacturing of zinc Phosphide.	Referred to National Chemical Laboratory, Poona-8.

1	2	3	4
6	M/s. Geo Industries & Insecticides (India) Pvt. Ltd., Madras-19.	Technical details of design of a plant for manufacturing Zinc Phosphide.	The laboratory suggested that work on preliminary investigation prior to development of the process of manufacture would be necessary, should the party be interested; reply from party is awaited.
7	Dr. D. K. Malhotra, Jt. Secretary, Planning Commission, New Delhi.	Whether Vega stone can be used as a raw material for producing refractory materials.	Referred to Central Glass & Ceramic Research Institute, Calcutta and a reply was sent by the Institute.
8	SISI Extension Centre, Kaithal (Punjab).	Details of the process of applying copper base alloy lining on the thin walled steel backs. What composition of the copper alloy is most suitable for this.	Referred to National Metallurgical Laboratory, Jamshedpur and details supplied by the laboratory.
9	SISI, Kerala	Project report on the processes of CFTRI, Mysore.	Referred to Central Food Technological Research Instt., Mysore. Notes were sent to the party by the Institute.
10	SISI, Goa.	*Project reports on* :	
		(*a*) Mfg. of anhydrous aluminium chloride. (*b*) Mfg. of titanium tri-chloride (*c*) Expansion joint filler from cashew nut shell liquid & coconut pith. (*d*) Particle board from coconut husk. (*e*) Dehydrated caster oil.	Information sent by the Central Office.

		Technical notes on : (*a*) Mfg. of saaeharin. (*b*) Mfg. of dyes & pigments from cashewnut shell liquid. (*c*) Utilisation of cashew apple. (*d*) Utilisation of tamarind pulp & tamarind seeds. (*e*) Packing of pickles. (*f*) Production of lighter flints. (*g*) Electroplating of metals on aluminium & its alloy. (*h*) Glue & Galatine Mfg. (i) Extraction of agar.	Do.
	Shri Madhusudan T. Patel, Ahmedabad.	Technical Know-how for manufacture of Papain & pectin from raw papaya.	Referred to Central Food Technological Research Institute, Mysore and a scheme on the project was sent by the Institute.
12	SISI, Kerala.	The party asked for brief notes on the following :— (*a*) Cation excahnge resin. (*b*) Mfg. of silica gel from sodium silicate. (*c*) Dried aluminium hydroxide gel (d) Particle broad from the coconut husk	Notes were sent by the Central Office.

1	2	3	4
		(*e*) Formation of sodium aluminium silicate. (*f*) Mfg. of rubber latex thread. (*g*) Mfg. of reactive surkhi. (*h*) Mfg. of expansion joint filler with CNSL of coconut pith.	
13	Shri B. L. Narayana Rao, Karinada through Coir Board.	Details about Mfg. of particle board from coconut husk.	Note was sent by the Central Office.
14	P. Mittulaul Lalah & Sons, Madras	Name of firms manufacturing "Egg Powder".	Referred to Central Food Technological Research Instt. Mysore and suitable reply was sent by the Institute.
15	Mangalore Productivity Council, Mangalore.	Technical assistance in designing of construction of kilns in the tile Industry.	Referred to Central BuildingResearch Instt. Roorkee, the reply would be sent shortly.
16.	The Pharmaceuticals & Chemicals (Travancore) Pvt. Ltd., Trivandrum	Scheme for the manufacture of activated carbon from coconut shell.	Referred to Regional Research Laboratory, Hyderabad. Since the project was at the experimental stage the party was requested to keep in touch with the laboratory.
17.	Indian Mica Cottage Industries, Giridh (Bihar).	Mfg. process of heat resistance & commutater micanite sheets & mica folium for high tension insulation.	Referred to Central Glass & Ceramic Research Instt., Calcutta and a reply was sent by the Instt.
18.	SISI, Ahmedabad	(*a*) Information regarding a substitute for aluminium alloy for electric components.	Referred to National Metallurgical Laboratory, Jamshedpur. Reply is awaited.

		(*b*) Information regarding the special equipment developed by the CSIR laboratory for making Plaster of Paris bandages.	Referred to Salt & Marine Chemicals Research Instt., Bhavnagar and the relevent blue prints were sent to the party.
19.	Director of Industries, Gujarat, Ahmedabad.	Mfg. of cast iron electrodes in the small scale sector and availability of indigenous raw materials.	Referred to National Metallurgical Laboratory, Jamshedpur.
20.	District Industrial Cooperative Association, Surat.	How aluminium can be used as a substitute for drawing wires in the Jari Industry.	Referred to Central Electrochemical Research Instt., Karaikudi. Reply awaited.
21.	M/s. Sparton Batteries, 1651, Queen's Road, Delhi-6.	Technical data on microporous rubber separators for lead-acid electric storage batteries.	Referred to Central Electrochemical Research Instt., Karaikudi. Note was sent by the Institute.
22.	Shri P. S. Krishnamurthi, 61, E. B. Street, Karur, Dist. Trichi.	Scheme for manufacture of fatty acids & glycerine from oils of various kinds.	Referred to Regional Research Laboratory, Hyderabad.
23.	Addl. Director (Rural) Industries & Commerce, Govt. of Andhra Pradesh, Hyderabad.	Technical details for the manufacture of peanut butter.	Technical note was sent by Central Food Technological Research Instt., Mysore.
24.	Asstt. Director of Industries (RIP) Sangamner.	Utilisation of tamarind seeds.	Details of the method of utilisation of tamarind seeds were sent by the Central Food Technological Research Instt., Mysore to the party.
25.	Project Officer, Rural Industries Project Omalur.	How to manufacture caushioning material from banana stom ?	Central Food Technological Research Institute, Mysore has sent notes to the party.
26.	SISI, Madras.	Process for the Mfg. of protein rich food from fish & dosicated coconut.	Central Food Technological Research Instt. Mysore supplied notes on the details of the manufacture.

1	2	3	4
27.	SISI, Bangalore.	Technical details involved in the processing of ginger.	Central Food Technological Research Instt., Mysore have sent a reply.
28.	H. L. Malhotra & Sons, Howrah.	Do.	..
29.	Jt. Director, Directorate of Industries & Commerce, Guindy.	Hot dip aluminising of ferrous materials	National Metallurgical Laboratory, Jamshedpur sent a technical note to the party.
30.	SISI, Indore.	Merits & demerits of aluminising & galvanising.	Do.
31.	SISI, Patna.	Melting of stainless steel in and removal of aluminium oxide from sand cast brass.	Do.
32.	SISI, New Delhi.	Preparation of Belladona.	Central Drug Research Institute Lucknow has sent necessary details.
33.	Block Development Officer, Mandla (M. P.)	How to prepare mud plaster.	Technical note was supplied by Central Building Research Instt., Roorkee.
34.	Director of Industries, Assam Shillong	Utilisation of Jute sticks.	Referred to Regional Research Laboratory, Jorhat.
35.	Development Commissioner (SSI) Udoyg Bhavan, New Delhi.	Utilisation of banna peel.	Note was sent by the Central Food Technological Research Instt. Mysore.

36. SISI, Indore.	Details of the manufacture of leather boards.	Central Leather Research Instt. Madras supplied necessary technical details.
37. Director of Industries, Community Development Project, Calcutta.	Ways of better utilisation of buffalo hides.	Do.
38. SISI, Margao (Goa)	Scheme for sheep and goat skin tannery.	The party has been advised to contact Director, Central Leather Research Institute, Madras.
39. Chief Executive Officer, Khadi & Village Industries Board, Kachiguda	Method of preparation & Utilisation of tabacco seed oil.	Notes supplied by National Chemical Laboratory, Poona.
40. SISI, Bombay.	Gold-plating of stainless steel nibs.	Technical note supplied by Central Electro-chemical Research Institute, Karaikudi.
41. Department of Industries, Govt. of Andhra Pradesh, Hyderabad.	Possibilities of pig iron production based on non-coking coals of Andhra Pradesh.	Referred to Regional Research Laboratory, Hyderabad.
42. Private party through Ministry of Food & Agriculture	Details about installation of wind driven water pumping Unit.	Referred to National Aeronautical Laboratory, Bangalore and the details were sent by it.
43. SISI, Indore.	Ways of industrial utilisation of kadu jeera.	Referred to Regional Research Laboratory, Hyderabad, and notes were sent by the laboratory.

APPENDIX VII

Summary of conclusions/recommendations contained in the Report

S. No.	Reference to Para No. of the Report	Summary of conclusions/recommendations
1	2	3
1	10	The Committee note that the actual expenditure on industrial estates is likely to fall short of the Third Plan targets in all States and Union Territories except Kerala, Madras, Delhi and Himachal Pradesh. The shortfall is most marked in the case of Bihar, Gujarat, Mysore. Rajasthan and West Bengal. In the case of Madras, the actual expenditure exceeds the Plan target by 237.97 lakhs or 74.37 per cent. The progress achieved in terms of number of estates set up also varies widely from State to State. In most of the States the achievement falls much below the target. Thus, against the original target of 24 estates for Assam, 51 for Uttar Pradesh and 11 for West Bengal, the estates actually set up in these States by the end of March, 1965 number, respectively, 2, 13 and 3. The Committee also note the Ministry's statement that the shortfalls are due to the 'curtailment of the programme in the wake of the Chinese aggression'. The Committee could understand a general scaling down of the industrial estates programme as a measure of economy dictated by the needs of the emergency. Even in such a case, Government should have given some thought to a State like Assam with high production potentialities, to a State like West Bengal which besides having high production facilities is a large consumption centre and is faced with acute unemployment, and also to Uttar Pradesh—eastern Uttar Pradesh being generally backward. The Committee are, however, dis-

1	2	3
		tressed to note that, in practice, while drastic cuts have been made in the industrial estates programmes in many of the States, in one State the expenditure on this head exceeds the Plan target by as much as 74 per cent.
		The Committee regret to note that positive measures were not taken by Government to ensure a broad uniformity in the implementation of the industrial estates programme in the various States.
		From the data available regarding (a) loans advanced by the Central Government to the States during the Third Plan period for establishing industrial estates, and (b) expenditure approved for industrial estates for the year 1966-67, the Committee are also constrained to observe that the disparities among the States in this particular sphere are largely attributable to the variations in the quantum of Central assistance made available to the States.
		The Committee strongly urge that immediate measures should be taken to rectify the great disparities among the States in the development of industrial estates and to ensure that progress in this sphere, in future, is, as far as possible, evenly spread throughout the country. As an essential step in this direction, the Committee would like the Government to determine the allocation of Central loans to the different States for the industrial estates programme, during the Fourth Plan period, strictly with a view to accelerate the pace of development in those States where the programme has lagged behind so far and where unemployment problem is acute. To afford immediate relief to such States, within the limits of the fund available, Government should also suitably revise the State-wise allocations for the programme for the year 1966-67.
2	II	The Committee would like the achievements in regard to industrial estates to be considered in the context of the expenditure incurred on the industrial estates programme since its inception.

1	2	3

This expenditure is broadly as under:

	(Rs. in lakhs)
First Five Year Plan	58.00
Second Five Year Plan	1098.00
Third Five Year Plan (upto March, 1965)	1963.00
	3119.00

(or Rs. 31.19 crores)

Considering that with an expenditure of over Rs. 31 crores on the industrial estates programme during the three Plan periods all that has been possible to achieve is the construction of 5188 sheds of which only 2586 are occupied by functioning units, the Committee feel that the costs of the programme are rather too high. It is evident that any attempt to bring an appreciable proportion of the existing or prospective small scale units in the country within the purview of the programme, as presently conceived, will involve heavy expenditure which would be difficult for the country to afford. The Committee consider that there is considerable scope for economy particularly in the construction of industrial estates.

The Committee, therefore, urge that the industrial estates programme should henceforth be pursued primarily for demonstrating the utility of the idea rather than as a means of actually providing Government built and subsidised accommodation to small scale units. The Committee feel that in States where sizeable amounts have already been spent under the industrial estates programme, it would be permissible to presume that the usefulness of the industrial estate idea has been sufficiently demonstrated and further progress in this sphere can be left to associations of entrepreneurs, cooperative societies etc. In such States, no new industrial estates, consisting of built-in-sheds, should be established by Government and governmental assistance should cease with the completion of the sheds already under construction. As for

1	2	3
		the other States, targets for establishing industrial estates, with built-in sheds, during the Fourth Plan period should be laid down. The number of these estates need not be large but there should be a firm time schedule for their completion.
		However, Government assistance may continue to be available in all States for providing developed sites, encouraging cooperative societies to set up industrial estates, providing roads and utilities, etc.
3	11	The Committee are perturbed to note the following disquieting features revealed by the table given in para 11 of the Report: (1) 81 industrial estates though completed have not started functioning, that is, they do not have single unit that has actually gone into production. (2) 796 completed sheds remain to be allotted. (3) The number of functioning units is less than half of the number of sheds completed. (4) 839 units though stated to be occupied have not reported production.
		The Committee need hardly stress that the time in the completion and functioning of an industrial estate should be reduced to the minimum. Similarly, it is imperative that the sheds built and the other facilities provided in the industrial estates at considerable costs are promptly and fully utilised. It may be advantageous to allot sheds in advance of their construction or during the course of construction so that these are occupied as soon as they are completed. This may also ensure construction according to specifications needed for the industry. The Committee are also unable to appreciate why 839 units which though stated to be functioning failed to report their production to the authorities even though they are located in the industrial estate.

1	2	3
		The Committee are constrained to observe that C.S.I.O. has failed so far to take due notice of these lapses and hope that it would now investigate the reasons for these shortcomings and take remedial measures.
4	12	The Committee regret to note the very poor progress of the rural industrial estates.
5	13	The Committee regret to note that although the Third Five Year Plan had clearly provided that "at appropriate places, particularly near large cities and towns, only developed sites should be provided on which small scale entrepreneurs could erect their own factory buildings", no serious action has been taken to implement the idea with the result that at the end of the Third Plan period only 3 developed plots, in this vast country, have been actually occupied by small scale entrepreneurs. Moreover, considering the poor response of the entrepreneurs to the scheme, the Committee are inclined to feel that due care has not been taken in selecting the areas where developed plots are offered for allotment to small scale units. The Committee feel that the scheme of developed sites needs to be vigorously pursued particularly in States where small scale industry is fairly well developed or where the usefulness of industrial estates has already been demonstrated, so as to provide an alternative to the present programme of constructing industrial estates, with built-in factory sheds, which, as pointed out in para 11 is too expensive to be tried on a large scale. The Committee suggest that the Central Small Industries Organisation should immediately address itself to the task of streamlining and energising the scheme of developed estates.
6	15	The Committee agree with the Working Group's view that in urban areas necessary local entrepreneurial talent and capital can be induced to come forward to establish industrial estates on the cooperative pattern, provided the requisite promotional effort is made by the State Government. The Committee would like the Central Government to impress the need for en-

1	2	3
		couraging the establishment of cooperative industrial estates in the various States, particularly those where small scale industry is already fairly advanced and there are a number of well established industrial estates.
7	16	The Committee need hardly stress that an industrial estate scheme is not a mere civil engineering scheme, as its success depends upon important economic factors which have also to be carefully taken into account at the stage of its planning. It is evident that approval of an industrial estate, if it is to be really useful and effective, has to be on the basis of a techno-economic scrutiny with particular reference to the suitability of the proposed location from the points of view of effective demand for space, proximity to markets, transport, availability of raw materials, power, skilled workers etc. The Committee regret to note that some of the industrial estates have come to be established in wrong places because of the States being guided by non-economic considerations. The Committee feel that to avoid such wrong selection of site and the consequent infructuous expenditure, there should be proper coordination in this matter between the Centre and the States. They are of the view that the selection of the site should not be left exclusively to the States, particularly when the funds for the industrial estates are provided by the Centre. The Committee consider it necessary that the CSIO should exercise stricter control and scrutiny on proposals for the setting up of industrial estates. They suggest that in the first instance, the State Directorate of Industries should conduct a techno-economic survey of the area where an industrial estate is proposed to be set up. The results of this survey should then be scrutinised carefully by the Advisory Committee attached to the Small Industries Service Institute which consists of the Director of Industries of the State concerned, the Director of the Institute and two non-official representatives. The Advisory Committee should then report their findings and conclusion to the Development Commissioner, Small Scale Industries, who may render the necessary suggestions and advice to the

1	2	3
		State concerned to facilitate final decision regarding the location and layout of the estates. The Committee realize that this procedure may entail some delay in the finalisation of proposals for industrial estates. They feel, however, that a little delay in the selection of a location in the beginning is a small price compared to the wastage of public funds and private resources resulting from the wrong location of an industrial estate.
8	22	The Committee welcome the proposal to bring into the Standing Committee on Ancillaries some more representatives of Small Scale Industries and urge that the proposal should be given effect to at an early date. They hope that with the induction of men of practical experience of small industry, the Standing Committee will be better equipped to formulate effective policies for the development of ancillary industries in the country. They would like to suggest, however, that in implementing the proposal for providing representation to the small scale industries on the Standing Committee on Ancillaries, a system of rotation should be followed so that various small industries of the different regions are able to place their problems before the Committee and help it to devise suitable measures for the uniform development of ancillaries in the country. The Committee also note that the Standing Committee on Ancillaries has met only seven times since September 1961 and that it has formally issued only one report so far. It is evident that if the Standing Committee is to play a useful and effective role it must meet regularly to take stock of the position, to suggest appropriate measures, and to see that the policies formulated by it are translated into practice. The Committee suggest that the Standing Committee on Ancillaries should draw up their recommendations in the form of Reports and that each Report should contain a statement showing the action taken on the previous reports. The position with regard to the development of ancillaries should also be reviewed by the Small Scale Industries Board at least once a year.

1	2	3
		The Committee also suggest that efforts should be made to expedite the setting up of State level Committees for Ancillaries in all those States where such committees have not been established so far.
9	35	The Committee note that the total value of goods supplied by small scale ancillaries in the various states to industries in the large scale sector during the year 1964-65 was Rs. 10.37 crores of which over 80 per cent was accounted for by Delhi, Madras and West Bengal. They also note that the total value of the goods obtained by the public sector undertakings from ancillary units during half-year April—September 1965 was only Rs. 70.95 lakhs. Only three public undertakings—Hindustan Machine Tools, Bangalore; Heavy Electricals, Bhopal; and Integral Coach Factory, Madras—have been obtaining appreciable quantities of the requirements from small scale ancillaries. There has been very little progress in developing functional estates either for the public undertakings or for large scale units in the private sector.
		The Committee regret to note that although the development of ancillary industries has figured as an important feature of the small scale industries programme ever since the First Five Year Plan, the actual achievements cannot but be regarded as meagre. They would also like to record here that in respect of the 16 industries which have been specially selected for development as ancillaries, the C.S.I.O. have no separate data about the number of ancillary units or the value of products supplied by them to large scale units. They also do not appear to keep any record of small scale units which have been brought into ancillary relationship with large scale units through the efforts of the C.S.I.O. or the Small Industries Service Institutes. In fact the Ministry have stated that many small scale units have been working as ancillaries for long period even before the programme for development of ancillaries was initiated. It is, evident that even the little progress that has been achieved in the development of ancillaries in the country cannot be mainly attributed to the Government's programme for the development of

1	2	3
		ancillaries. At least the Committee have not been able to get any specific data regarding the contributions of the C.S.I.O. in the development of ancillary industries.
10	35	The Committee are particularly distressed to note the very slow and insignificant progress made in fostering ancillaries by the public undertakings which might well have given a lead in demonstrating the usefulness of ancillary arrangements and set an example to their counterparts in the private sector. The Committee, however, have not any date to refute the general suspicion that even in the Public Undertakings there is a sort of resistance to encourage ancillary industries.
		The Committee are constrained to observe that beyond reiterating the need for developing ancillaries in the successive Five Year Plans, no serious effort has been made to implement the idea or even to formulate a realistic policy aimed at producing concrete results. The Committee feel that Government should have taken up the matter with the C.S.I.O. to keep themselves fully informed of the measures taken by it for fostering ancillary industries and also of the difficulties impeding the growth of ancillaries and should have taken remedial measures.
11	35	The Committee would also like to record that the achievements of the Ancillaries Division do not appear to be commensurate with the expenditure incurred on it. They would like the working of the Division to be thoroughly reviewed at an early date and suitable measures taken to improve its performance.
		As the development of ancillaries constitutes an important element in the growth of the small scale sector, the Committee fail to understand why progress in this field should have been restricted to a few States. They would like the Government to take suitable measures to ensure, as far as possible, uniform development of ancillaries all over the country.

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12	35	The Committee are of the view that the chief difficulties in the development of ancillaries are: (a) inadequate supplies of raw materials, (b) lack of firm orders from large scale units. So far as the question of raw materials is concerned, the Committee have recommended in Chapter IV (Part I) a system of equitable distribution of scarce raw materials ensuring equitables treatment to all industrial units according to their production capacity and the importance of their end-products in the overall national economy. They would like to suggest here that until the new system is introduced scarce raw materials should be supplied to ancillary units on a priority basis, if necessary by making suitable deductions from the quotas of the corresponding large scale units. The Committee recognise that the problem of ensuring a regular flow of orders to ancillary units, in other words of establishing firm ancillary relationships between small scale and large scale units, particularly in the private sector, bristles with difficulties. On the one hand, because of the high prices prevailing in the sheltered domestic market and the consequent high profitability, large scale units feel induced to produce all parts/components required by them. There is also the understandable hesitation of the large scale units to farm out orders for parts and components to small scale units due to doubts about the latter's ability to produce goods of standard quality, at competitive prices and on firm time schedules. On the other hand, the small scale units cannot be expected to concentrate on production of such items, sales of which are solely dependent on the willingness of the purchasers in the large scale sector unless there is a definite indication that what they produce will be readily purchased by the large scale units. The Committee feel that this vicious circle can and must be broken. They regret that the C.S.I.O. has not so far taken concerted measures in this direction.
13	35	The Committee have given serious consideration to the suggestions made in certain quarter

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that components/parts which could be made in the small scale sector should not be licensed to the large scale sector. They are unable to support any such categorical reservations. They feel that an abrupt and blanket ban on licensing of parts and components to the large scale units may well hamper industrial production in the country because the small scale sector cannot be expected to produce at short notice and at an economic price all those goods which are sought to be banned to the large scale sector.

The Committee suggest that in the first place the C.S.I.O. should prepare a list of some selected parts and components, preferably those which are at present largely imported and are capable of being manufactured by small scale units. It should then, depending upon the demand for the goods, locate a sufficient number of competent small scale units which are willing to produce the required items. The C.S.I.O. should assure them a regular supply of the needed raw materials and give them every help in obtaining the required machinery and such financial assistance from Governmental/institutional sources as is available to small scale units.

The C.S.I.O. should also give the units intensive technical assistance and guidance to produce quality goods at an economic price. It should encourage the formulation of I.S.I. standards for the goods produced by the small scale sector so that small scale units may be induced to obtain I.S.I. certification for their products and there may be no room for complaint that the products do not conform to the requisite standards. After the preliminary selection of the items and the location of the prospective ancillary units have been completed, the import of the concerned part/components should be reduced according to a phased programme and no new units or additional capacity for the manufacture of such items should be sanctioned for the large scale sector.

The Committee would like to urge that determined efforts should be made to make a success of this experiment. It is well-known that because of low overhead costs and their ability to specialise in manufacturing items requiring a high degree of precision and technical skill,

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		small scale units have an edge over large scale units in certain spheres of production. The growth of small scale ancillary units in highly industrialised countries like the U.S.A., the Federal Republic of Germany, Sweden and Japan, clearly shows that the concept of ancillaries is basically sound and justifiable on purely economic grounds. Therefore, once, through concerted efforts of the C.S.I.O. and the entrepreneurs, the capacity of ancillaries to supply quality parts in time and at reasonable cost is proved, the attitude of the large sector is bound to change and the necessary climate will be created for the steady growth of the ancillary movement. The Committee hope that the C.S.I.O. will take more energetic and effective steps in this matter. The Committee also urge that intensive efforts should be made by public undertakings to farm out their parts/components to ancillary units. They would like the Railways and the other well established public undertakings, like H.M.T., Hindustan Steel, etc., to take speedy measures in this behalf and give a lead to other concerns in the public and private sectors. It is necessary to remove the impression that Government expects the large scale units in the private sector to accept something which it does not consider good enough for its own undertakings.
14	35	The Committee would like to endorse a suggestion made by the Fourth Plan Working Group on Small Scale Industries, namely: "The Director-General of Supplies and Disposals while considering tenders for all group II items, *i.e.*, those which could be made only in the large scale sector but provide an opportunity to sub-contract to small scale units, should specifically invite information about the ancillaries to which the work will be farmed out and give a preference on this basis. Tenderers who previously supplied to the D.G.S. & D. might also be evaluated and rated according to the use they made of ancillaries."

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		The Committee consider that in the case of many Government purchases, for example, of large and complex military items, sub-contracting is the only practical way for small firms to participate. They would like the C.S.I.O. to prepare in cooperation with the D.G.S. & D. a comprehensive scheme for giving ancillaries a greater share in supplying Government stores.
15	35	The Committee would also like to mention particularly that the contribution of the small scale industries towards meeting the requirements of ordnance factories is meagre at present. The Committee feel that the defence authorities should procure a large percentage of their requirements from small scale industries and should encourage small entrepreneurs to set up ancillaries for supplying parts and components to the ordnance factories. The C.S.I.O. should have acted as the liaison between the Defence, Railways, etc., and the small scale industries.
16	35	The Committee recommend that Government should assist ancillary units in advertising their products. The C.S.I.O. should also regularly prepare lists of parts and components that can be made in ancillary units and circulate them regularly to all Government Departments and members of the Licensing Committee and should continue to pursue the matter with the Government Departments and also with the Small Scale Industries. The lists should be given wide publicity so that prospective entrepreneurs in large scale sector might plan their projects suitably. It needs hardly to be stressed that these lists should always be taken into consideration by the concerned Central and State Government Departments while preparing project reports of public undertakings.
17	35	The Committee feel that the experience gained so far in the working of functional estates is not sufficient to prove their utility conclusively. As the units in such estates would have to depend on buyers in the large scale sector, it is necessary that before the establishment of any such estate in future there should be a firm assurance of the off-take of the production.

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18	35	The Committee would like to suggest that in implementing the programme for the development of ancillaries, or for that matter, for all small scale industries, care should be taken to see that the benefits intended for small entrepreneurs are not manipulated by large scale units by setting up ancillaries under 'benami'.
19	41	The Committee are unhappy to note that detailed industry-wise studies which were recommended in the Third Five Year Plan itself as prerequisites for the implementation of the common production programme were not undertaken with the result that the programme has not been systematically pursued during the Third Five Year Plan. The Committee also deplore the fact that the recommendation made by the Estimates Committee (Second Lok Sabha) in their 77th Report for the setting up of a committee of technical experts to examine the working of the common production programme and make appropriate recommendation has not been implemented although it was accepted by Government. The Committee have a feeling that the Government have only enunciated the common production policy but have not given due attention to its implementation in actual practice and have rather allowed a policy of drift in this matter. The Committee note that the main reasons why common production programmes have not succeeded in the past are that (a) the items were selected without detailed studies of comparative cost of production in the two sectors, (b) the small scale units did not have equality of treatment with large scale units regarding the allotment of scarce raw materials and in many cases the small scale units had to purchase some of the components from their competing large scale units who charged comparatively higher prices. The Committee consider it imperative that the selection of industries for the common production programme should be invariably preceded by and based on detailed study and investigation of such factors as the relation between scale of production and cost, quality requirements, existing capacities in the large scale and small scale sectors, present and likely future demand etc. Generally speaking, such industries should be selected for small scale units in which the economies of mass pro-

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duction and distribution are offset by increased overheads. In the case of industries in which small scale units have demonstrated their capacity by accounting for a major portion of production, it would be reasonable to reserve the bulk of future expansion for the small scale sector.

The Committee also feel that for industries in which both the small and large units have been already allowed to function, protective measures for the smaller units should be taken *e.g.* preferential or at least equal treatment in the distribution of materials, loan facilities, supply of components and spares by the big units at reasonable prices, tariff protection etc.

The Committee have recommended in Chapter IV (Part I) that the distribution of scarce raw materials should be based on an equitable system ensuring equality of treatment to all industrial units irrespective of the sector to which they belong. They would like to stress here that an equitable distribution of scarce raw materials is also a pre-requisite for the successful working of the common production programme, for it would be unrealistic to expect participating small scale units to hold their own against their large scale competitors if they are handicapped by higher costs of essential raw materials and components. The Committee, therefore, urge that if the Government really wish to give a fair trial to the concept of common production programme they must hasten to bring into existence a system of equitable distribution of scarce raw materials.

Government should also evolve and enforce a suitable formula to ensure that components and parts manufactured by indigenous large scale units are available to the small scale units at reasonable prices.

The Committee agree with the view that units with known installed capacity and progressive management should be selected for participation in the common production programme. They are also glad to note that Government are aware of the need to provide the selected small scale units with "necessary technical assistance by persons who have special knowledge in the particular industries". The Committee hope that necessary

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		measures will be taken to see that the requisite technical assistance is provided to the small scale units by the Small Industries Service Institute of the C.S.I.O. in a systematic and effective manner so that the small scale units can produce quality goods which can stand comparison with those produced by the large scale units.
20	53	The Committee need hardly stress the importance of ensuring that the Small Industries Service Institutes and Extension Centres are able to render quick and effective technical assistance to small scale units as ultimately the success or failure of the Industrial Extension Service of the C.S.I.O. will be judged by the degree to which such technical assistance has actually been helpful to the small scale units. They recognise that the Extension Service may need to be strengthened both in number and quality. But they feel that an accretion to the technical strength of the Institutes and Extension Centres cannot by itself produce the desired result—an efficient and effective technical service. The Committee feel that what the C.S.I.O. and its field organisation need most is a sense of purpose and a desire and determination to produce concrete results. They are of the view that the present practice of measuring the achievements of the organisation and of individual officers purely in terms of the quantum of services rendered *e.g.* number of cases given technical advice, number of cases given advice to start new units, etc. is not helpful for producing solid results. The Committee therefore suggest that the Small Industries Service Institutes and Extension Centres should henceforth place greater emphasis on quality rather than quantity of activity. The C.S.I.O. should ensure that regular and uniform records of services provided to and the actual benefit derived by each small scale unit are maintained at each Institute and Extension Centre. The Committee are unable to appreciate the Ministry's contention that it is difficult to keep a record of units set up on the advice of the Small Industries Service Institutes. They would like to point out in this connection, that besides giving advice to entrepreneurs to start new industries, the Small Industries Service Institutes are sup-

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		posed to offer them a variety of other services, such as technical assistance, choosing appropriate designs and raw materials, assistance in obtaining loans from the State Banks, orders under the Government Purchase Programme, machinery on hire-purchase etc. Normally an entrepreneur who sets up a unit on the advice of the Small Industries Service Institute will also approach the Institute for any of these various types of services. The Committee, therefore, fail to understand why it should be so very difficult for the Small Industries Service Institutes to keep a record of cases where their advice actually fructifies in the establishment of a new small scale unit and its subsequent progress. The Committee recommend that such records should be maintained in future by each Small Industries Service Institute. They would like to add that such records besides enabling the Institutes to check on the effectiveness of their advice would also enable them to identify the difficulties faced by the entrepreneurs in setting up new units, and draw appropriate lessons for future guidance.
21	53	The Study Group of the Estimates Committee which visited the Small Industries Service Institute, Okhla where the Industrial Design Cell is located, were impressed by some of the designs reported to have been evolved by the Industrial Design Cell and which are in production. The Committee are, however, concerned to note that while the expenditure on the Industrial Design Cell has increased from Rs. 136831 in 1961-62 to Rs. 179472 in 1965-66, the number of designs implemented and prototypes manufactured have come down from 41 and 59 to 19 and 11, respectively. The Committee suggest that the working of the Cell with particular reference to its staffing position should be reviewed at an early date and appropriate measures taken to reorganise it so that its continuance is economically justified.
22	54	The Committee note that the experience of the Government in regard to the availability of technical consultants for forming panels to assist and guide small scale industrialists is not confirmed by the categorical statement of the Fourth Plan Working Group that "there are a number of specialists in the country working in Government, public sector and private sector undertakings who

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		for a nominal fee would be willing to give the benefit of their experience." The Committee feel that Government should make vigorous efforts to set up panels of consultants at the headquarters of the C.S.I.O. and at each of the Small Industries Service Institutes, on the lines suggested by the Estimates Committee in their 77th Report in 1960 and by the Fourth Plan Working Group.
23	56	The Committee are in agreement with the view of the International Perspective Planning Team that the imposition of fees is the best way (a) to ascertain the value of the services rendered to small scale units by the Small Industries Service Institutes and Extension Centres, (b) to discriminate in favour of those who will actually use the assistance rendered, (c) to assess the usefulness of the various programmes and (d) to judge the performance of the extension personnel. They would like to stress that the present practice of extending *ex-gratia* technical advice and assistance to thousands of units all over the country involves tremendous effort and public resources, which in many cases may turn out to be infructuous. As pointed out by the Fourth Plan Working Group on Small Scale Industries, the advice or assistance is often not taken seriously because it is rendered free. The Committee, therefore, urge that the C.S.I.O. should work out and introduce at an early date a system of charging moderate fees for the special services, both technical and economic, rendered to small scale units by the Small Industries Service Institutes and Extension centres. To begin with, this system may be restricted to the metropolitan areas and other regions where small scale industries are already fairly developed and where it would be permissible to presume that there is, at least, some genuine appreciation of the services rendered by the Institutes and Extension Centres; as small scale industry develops in other areas the system should be extended to them also.
24	57	The Committee feel that area surveys should be undertaken by the States except when the area covers more than one State in which case the survey should, of course, be conducted by the C.S.I.O. The C.S.I.O. may on its own, and should, in the opinion of the Committee, under-

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		take area studies of the backward regions to analyse their problems and potentialities and suggest ways and means of accelerating the growth of small scale industries in such areas. But the C.S.I.O. should make it known to the States that in future they would have to undertake themselves local area surveys to meet their requirements.
25	58	The Committee are distressed to note that the 'model schemes' have generally been prepared and published by the Small Industries Service Institutes without keeping in view their practicability and usefulness to the entrepreneurs in the area concerned. The Committee also note the steep fall in the number of model schemes prepared annually (from 543 in 1961-62 to 327 in 1962-63 to 237 in 1963-64), which considering the admitted failings of these schemes, presumably reflects a decline in their popularity. The Committee would like the greatest care to be taken in the preparation of the model schemes to ensure that they give the entrepreneurs correct information on all essential points like requirements of land, building and machinery, cost of production and estimated returns, availability of raw materials and machinery required, etc. The entrepreneurs should be clearly advised to contact the Small Industries Service Institute for details and any assistance they may need for implementing the scheme. The Committee suggest that Government may critically review the working of the model schemes prepared by the Small Industries Service Institutes with a view to eliminate those which are impracticable and to bring the rest uptodate as well as to lay down the guidelines for the peparation of model schemes in future so that they may be of greater practical use to the entrepreneurs.
26	58	The Committee note that the number of technical bulletins issued by the Small Industries Service Institutes has been on the decrease. It has been represented to them that the knowledge about the assistance rendered to small scale industries by various Government agencies is generally limited to the metropolitan and

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		immediately surrounding areas and that units in the interior regions do not have full knowledge about such assistance. The Committee feel that knowledge about the scope and potentialities of small scale industries and the facilities available for the development of such industries from Governmental organisation, including the Small Industries Service Institutes, should be given wide publicity so that people, who have the requisite means and talents, may feel attracted to set up small industries. They would like to suggest that the Small Industries Service Institutes should, with the active collaboration of the respective State Directorates of Industries, make concerted efforts to provide effective publicity in regard to small scale industries and the facilities available for setting up and running such industries, through pamphlets, technical bulletins, audio-visual means exhibitions, etc.
27	62	The Committee note that the various facilities for scientific research and investigation available with the National Laboratories, which have been set up at considerable expenditure, have been made available also to the small scale industries. They feel that as, by and large, the big enterprises can afford to have their own research facilities or acquire foreign know-how, the small scale industries/C.S.I.O. should make fuller use of these facilities. The Committee urge that the Government should secure greater organisational collaboration between the C.S.I.O. and the C.S.I.R. so that the resources of men and material available with the two organisations are used, systematically and effectively, to deal with the technical problems of small scale industries. In view of the present financial stringency, the Committee feel that Government should critically examine how far the needs of small scale industries can be met by the facilities available with the C.S.I.R./National Laboratories, and, if found necessary, make a modest beginning for setting up a separate Institute of intermediate technology for research on the technical problems of small scale industries.

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28	63	The Committee are glad to note that since the setting up of C.S.I.O. in 1954, there has been significant progress in the growth of small scale industries in the country which have established a broadbase of operations for manufacturing a wide variety of goods. The C.S.I.O. with its network of Small Industries Service Institutes and Extension Centres has been instrumental in creating a climate for the growth of the small scale industries. One of its purposes was to provide technical advisory service to the new as well as established small scale enterprises and to conduct training courses for the small entrepreneurs and the artisans. The Small Industries Service Institutes and Extension Centres make available workshop and laboratory facilities to the small scale units in their area. Through the industrial estates which have been set up in various parts of the country, the small scale industries have been provided with facilities of worksheds, power, water and transport and other external economies for their development like common service centres, introduction of modern techniques etc. The Small Scale Industries have made a notable contribution in meeting the problem of unemployment and in augmenting the national income. As against Rs. 990 crores estimated to have been contributed to the national income by large scale industries in 1960-61, the contribution of small scale industries is stated to be Rs. 1450 crores. Similarly the small scale industries are estimated to have provided employment to about 23·30 lakhs persons (including 10 lakh in non-registered non-household small units) as against about 21·70 lakhs persons, employed by large scale sector. The Committee, however, regret that this sector has not received the attention and consideration justified by the policy statement of the Government or even justified by its performance and contribution to the national economy. The Committee have further noted some disquieting features in the implementation of various programmes for the development of small scale industries. For instance, the Common Production Programme has not been vigorously

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pursued during the Third Five Year Plan; the progress in the development of ancillaries has been admittedly slow and almost negligible. Moreover, there are great disparities among the various States in the levels of financial assistance for, and the actual development of small scale industries and industrial estates.

The Committee are unable to appreciate the plea that these deficiencies in the implementation of the small scale industries programmes are due to the fact that the development of small scale industries and the implementation of the various specific small scale industries programmes are the responsibility of the State Governments. The Committee consider that once the national plan, envisaging certain financial and physical targets for the various States, has been approved—apprently with the consent of the oncerned States, the States are expected to adhere to them. It is the responsibility of the central coordinating agency (in this case, the C.S.I.O.) to take timely corrective action with the States concerned in the case of their failure to achieve planned targets or deviation from approved programme. The Committee feel that the C.S.I.O. should take a more positive view of its responsibilities as the principal central agency for the development of small scale industries. The organisation should undertake periodical evaluation of the various programmes and policies of Government of India for the development of small scale industries and take steps, whenever found necessary, to suitably modify them from time to time in consultation with the concerned States. It should see that the programmes are realistic and practical and are in fact implemented by the States.

The Committee would also like to urge that the State-wise Plan outlays and targets for the small scale sector as well as the allocation of central assistance to the States should be determined on a sound appraisal of the needs as well as the potentialities of each State and with due regard to the objectives of bringing up the less developed States to the level of the rest.

The Committee consider it necessary to guard against a situation where the C.S.I.O. finds it-

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self unable to implement agreed policies and objectives for lack of adequate powers. They suggest the appointment of an *ad hoc* committee by the Small Scale Industries Board to examine whether the existing powers of the C.S.I.O. "have been fully and properly utilised and" are adequate to enable it to secure the necessary coordination for the development of small scale industries, and make suitable recommendations.

The Committee are concerned to note that a large number of officers and staff in the C.S.I.O. are engaged in purely administrative work. They are convinced that the existence of such a high proportion of non-technical elements is neither necessary nor conducive to the efficiency of an organisation which is primarily meant to render technical assistance and expert guidance to small scale industries. The Committee feel that the Central Small Industries Organisation should be a compact body of technically competent leaders who have first-hand experience of problems facing the small scale industries and can be of concrete assistance to the small entrepreneurs in resolving their problems. The top officials should be selected with great care so as to ensure that they are technically and emotionally fully qualified to help the development of a weaker sector of our economy.

The Committee would like to stress the importance of small scale industries in the implementation of our economic policy of "large expansion of employment opportunities and reduction of inequalities in income and wealth and a more even distribution of economic power," and "to establish progressively greater equality of opportunities."

The Committee have also to recognise the notable contribution of the small scale sector to the creation of employment opportunities, augmentation of industrial production. So they would urge that the healthy growth of this sector is crucial for accelerating the industrial and economic progress of the country and for providing a broader and economically and socially more justifiable industrial base. It is necessary that urgent attention should be given to the supply

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of scarce raw materials on an equitable basis and provision of credit facilities to the small scale sector as also to implement the common production programme. Positive efforts should be made to diversify production in the small scale sector and encourage the development and the use of indigenous substitutes for imported items and thereby reduce its dependence on scarce raw materials, and also to enable the sector to play a singnificant part in the supply of defence requirements, and various agricultural inputs required for augmenting food production and in the manufacture of commodities helpful for earning and conserving foreign exchange.

The Committee have mentioned the various shortcomings and defects in the working of the C.S.I.O. and hope the Government will take effective remedial steps so that the C.S.I.O. can function as a real guide and friend of the small scale industries—whose importance in our national economy has been accepted by the Government.

The Committee suggest that the various forms of assistance now made available to small scale industries under the Central and State programmes should be utilised in such a manner as to give preference and priority to the needs of industries which cater to higher national priorities, *viz*. industries falling under one or the other of the following categories:

(1) Defence requirements.

(2) Industries directly concerned with the development of agriculture such as improved agricultural implements, pesticides etc.

(3) Export-oriented industries.

(4) Import substitution industries.

(5) Units producing components, etc., required in certain vital sectors like Railways, Transport and Power.

(6) Industries for processing agricultural and forest products and other industries not requiring use of scarce raw materials.

(7) Producer goods and essential consumer goods industries.

APPENDIX VIII

Analysis of Recommendations/Conclusions contained in the Report

I. CLASSIFICATION OF RECOMMENDATIONS:

A. Recommendations for improving the organisation and working:

S. Nos. 1, 4, 5, 6, 8 to 27.

B. Recommendations for effecting economy:

S. Nos. 2, 3, 7, 21, 27.

C. Miscellaneous recommendations:

S. No. 28.

II. ANALYSIS OF MORE IMPORTANT RECOMMENDATIONS DIRECTED TOWARDS ECONOMY:

S. No.	S. No. as per summary of recommendation (Appendix VIII).	Particulars
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1	2	There is considerable scope for economy particularly in the construction of industrial estates. The industrial estates programme should henceforth be pursued primarily for demonstrating the utility of the idea rather than as a means of actually providing Government built and subsidised accommodation to small scale units. In States where sizeable amounts have already been spent under the industrial estates programme further progress in this sphere can be left to associations of entrepreneurs, cooperative societies, etc. In such States, no new industrial estates, consisting of built in sheds, should be established by Government and governmental assistance should cease with the completion of the sheds already under construction. As for the other States, targets for establishing industrial estates, with built in sheds, during the Fourth

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		Plan period should be laid down. The number of these estates need not be large but there should be a firm time schedule for their completion.
2	3	The time in the completion and functioning of an industrial estate should be reduced to the minimum. Similarly, it is imperative that the sheds built and the other facilities provided in the industrial estates at considerable costs are promptly and fully utilised. It may be advantageous to allot sheds in advance of their construction or during the course of construction so that these are occupied as soon as they are completed.
3	7	To avoid wrong selection of site of industrial estates and the consequent infructuous expenditure, there should be proper coordination in this matter between the Centre and the States. The selection of the site should not be left exclusively to the States, particularly when the funds for the industrial estates are provided by the Centre. The CSIO should exercise stricter control and scrutiny on proposals for the setting up of industrial estates.
4	21	The working of the Industrial Design Cell should be reviewed at an early date with particular reference to its staffing position and appropriate measures taken to reorganise it so that its continuance is economically justified.
5	27	In view of the present financial stringency, Government should critically examine how far the needs of small scale industries can be met by the facilities available with the C.S.I.R./ National Laboratories, and, if found necessary, make a modest beginning for setting up a separate institute of intermediate technology for research on the technical problems of small scale industries.

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